



## Merseytravel

Statement of Accounts 2022/23  
(Subject to Audit)

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## **NARRATIVE REPORT BY THE EXECUTIVE DIRECTOR 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 2023. 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 2022/23.

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

### **Narrative Statement**

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

### **Statement of Responsibility for the Statement of Accounts**

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

### **Annual Governance Statement**

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

### **Movement in Reserves Statement**

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

### **Comprehensive Income and Expenditure Statement (CIES)**

This statement shows the cost of providing services in accordance with generally accepted accounting practices as opposed to the amounts to be funded from the grant it receives from the Combined Authority. 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 2022/23

Merseytravel's budget was approved on 7 February 2022. The grant to Merseytravel to support its provision of transport functions was set at £95.827m, and a separate grant of £21.892m approved to support the operation of the Mersey Tunnels. A revised budget was approved on 6 February 2023 which reduced the grants to Merseytravel to reflect amendments 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 budget for 2022/23.

	<b>Annual Budget £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>
Bus Services	19,397	16,779	2,618
Rail Services	8,203	5,159	3,044
Hubs	2,237	2,279	(42)
Rolling Stock	1,094	447	647
Mersey Ferries	1,061	1,705	(644)
Mersey Tunnels	17,320	17,272	48
Customer Delivery	1,695	1,645	50
Concessionary Travel	44,350	43,250	1,100
Policy & LTP	469	493	(24)
Asset Management	7,285	7,335	(50)
LCRCA Recharges to Merseytravel	7,469	7,041	428
Corporate Costs	360	184	176
<b>Total Expenditure</b>	<b>110,940</b>	<b>103,589</b>	<b>7,351</b>
<b>Funded by:</b>			
Merseytravel Grant	(87,491)	(86,844)	(647)
Mersey Tunnels Grant	(23,449)	(23,449)	0
Merseytravel Reserves	0	0	0
<b>Total Income</b>	<b>(110,940)</b>	<b>(110,293)</b>	<b>0</b>
<b>Net transfer (to)/ from Reserves</b>	<b>0</b>	<b>(6,704)</b>	<b>(6,704)</b>

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.

	<b>2021/22 £'000</b>	<b>In Year Movement £'000</b>	<b>2022/23 £'000</b>
Capital Reserves	5,763	(55)	5,708
Earmarked Usable Reserves	49,225	3,349	52,574
General Fund Balances	4,629	3,904	8,533
<b>Total</b>	<b>59,617</b>	<b>7,198</b>	<b>66,815</b>

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

### Capital Expenditure 2022/23

Merseytravel spent £90.765m on capital during 2022/23. This expenditure is summarised below.

	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Revenue Expenditure funded from Capital under Statute	52,096	58,839
Non-Current Assets (Property Plant and Equipment)	7,385	1,238
Assets under Construction	68,981	28,549
Intangible Assets	709	192
Non-Current Assets (Infrastructure)	544	1,947
<b>Total</b>	<b>129,715</b>	<b>90,765</b>

The table below details the funding of the capital programme.

	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Capital Grants	129,715	90,710
Application of Reserves	0	55
<b>Total</b>	<b>129,715</b>	<b>90,765</b>

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 2022/23.

	<b>£'000</b>
Rolling Stock Programme	40,152
Headbolt Lane New Station	32,195
Station Access Improvements (Access for All)	6,233
Lea Green Park and Ride Improvements	3,150
Green Bus Routes	1,205
Seacombe Suspended Deck and Anchor Chain	815

## 2022/23 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 transport operators, local and central government and other stakeholders including the local business community, community groups and Transport for the North to ensure that the Liverpool City Region has the best possible transport infrastructure enabling the efficient movement of people and goods.

## 2022/23 Outturn Performance

The Combined Authority's Corporate Plan 2021/24 is based on five priorities, with each Priority underpinned with Business Plan delivery activities and supporting Service Plans. The Priorities for 2022/23 are:



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 2022/23. 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.

<b>RAG Rating</b>	<b>Description</b>
<b>Red</b>	Highly Problematic – Delivery of activity/priority at significant risk
<b>Amber</b>	Problematic – Delivery of activity/priority at risk but not significant
<b>Green</b>	Well Managed – No risk to the delivery of the activity/priority or nearing completion/delivery
<b>Blue</b>	Delivered/Completed – the activity/priority delivered
<b>Purple</b>	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 Merseytravel's priorities during 2022/23 are detailed in the section below.



## Priority 3: A Cleaner City Region

### City region's new hydrogen buses

During the year, delivery was taken of the City Region's first hydrogen bus. Part of the innovative hydrogen bus project, a fleet of 20 zero emission hydrogen buses will be deployed across the City Region helping support the Metro Mayor's aim of a carbon neutral City Region.



### Prescot Bus Station facelift completed



In support of the development of the prestigious Shakespeare North Playhouse located in Knowsley, a number of complementary public transport interventions were undertaken. These included works to improve Prescot bus station and green bus routes. As one of the busiest bus corridors in the City Region, the green bus routes will help make journeys cleaner and quicker for passengers.

## Priority 4: A Connected City Region

### Active Travel



£12m of additional funding was secured to build high-quality walking and cycling routes across the Liverpool City Region to make the region the best place in the country to walk and cycle. Halton also got a new Liverpool City Region cycle route link between Runcorn and Daresbury to connect train station, housing developments and Sci-Tech Daresbury campus as part of the planned 600km network across Liverpool City Region.

### City Region Sustainable Transport Settlement funding confirmation

The LCRCA received confirmation from the Government of £710m to improve public transport across the region under the City Region Sustainable Transport Settlement. Merseytravel will play a key role in delivering these ambitious transport infrastructure plans.

### £2 bus fare for the Liverpool City Region confirmed

A flat £2 single adult fare for all bus services across the city region was launched. Supported through funding received to support the regions Bus Improvement Plan, the £2 flat fare has made bus travel across the region more affordable.



### **Liverpool City Region's new Rolling Stock**

The first publicly owned fleet of trains in the UK, this £500m project is moving through into its delivery phase. The innovative new trains are the first in the country to provide step free access for all. In January 2023, the first of the new trains ran on the Kirkby line. Initially operating on the Kirkby line, the roll out plan will see the new 777 fleet introduced on the Ormskirk line and then across the rest of the network on both the Northern and Wirral lines throughout the rest of the year.



### **Mersey Ferries Strategy**

Commuter and River Explorer services returned to Seacombe Terminal. Upgrades were part of plans to enhance the Mersey Ferries for future generations as part of the Mersey Ferries Strategy which will also see the procurement of a new state of the art vessel and a major refurbishment of the existing boat.

### **Bus Reform**

Plans to reform bus services in the Liverpool City Region took an important step as franchising became the preferred future model for running the bus network and services, one of only two places in the country to do so. The next stage of the process commenced with a formal consultation asking local residents, businesses, trade unions and stakeholders for their feedback on potential plans to bring bus services back into public control.

## **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.

Over the last twelve months there has been an unprecedented surge in inflation which has led to increasing cost pressures across all aspects of Merseytravel service. High inflation has led to higher utility costs, pay awards and a general increase in the cost of buying goods and services. At a macro level during 2022/23 Merseytravel was able manage these pressures within its overall budget however with inflation remaining in double digits and unlikely to reduce significantly in the short term, these pressures are going to continue to present a challenge for Merseytravel during 2023/24. Whilst central inflationary provision has been made at the group level to deal with these pressures, these will need to be carefully managed.

Public transport patronage remains below the levels seen pre pandemic and this continues to present challenges for the operation of the public transport network. Whilst Merseytravel does not take revenue risk on bus or train operations, lower patronage on the bus network and higher costs presents challenges for Merseytravel in maintaining a viable and stable bus network in the face of service reduction and deregistration by operators. Whilst Merseytravel works closely with operators across the region to address this, there is a risk that this flows back to Merseytravel as a budget pressure within the Bus Services through increased costs of round tenders and more supported services.

As part of the City Region Sustainable Transport Settlement, Merseytravel is responsible for directly delivering a significant proportion of the overall programme. Whilst this presents an exciting opportunity to improve the public transport infrastructure across the City Region, the

challenge will be to ensure there is sufficient capacity within the organisation to deliver on these key projects.

## 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, progressing the preferred option for bus reform;
- Continued implementation of the LCR Local Cycling and Walking Infrastructure Plan;
- Upgrade the Smart Ticketing system and implementation of a tap in tap out, contactless ticketing with a daily cap;
- Progress the delivery of the 'Merseyrail for All' programme, including the delivery of new stations at Headbolt Lane and Liverpool Baltic;
- Continuing the roll out of the new Rolling Stock fleet and bringing them into service across the whole network;
- 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.

In support of the achievement of these objectives, Merseytravel receives funding for both revenue and capital activities from the Combined Authority. For 2023/24 a capital programme of £110m to support the delivery of the major transport interventions and a revenue budget of £111.185m were approved. Funding for the Merseytravel budget flows from the Combined Authority in the form of grants funded from Transport Levy and Tunnel Tolls and from major capital grants including CRSTS. For 2023/24 Merseytravel received an operational grant of £87.532m and a Tunnels grant of £23.413m with a contribution from Merseytravel reserves of £0.24m; and for capital activities a capital grant of £110m was approved.

In balancing the budget for 2023/24 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. As part of the overall business transformation plan, In Shape to Deliver, Merseytravel will look to conduct reviews of a number of service areas with a view to modernising and improving the efficiency of services.

John Fogarty (CPFA)  
**Executive Director Corporate Services**  
31 May 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 Corporate Services

The Executive Director 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 2023. In preparing this statement of accounts, the Executive Director 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 2023 and its income and expenditure for the year ended 31 March 2023.



John Fogarty (CPFA)  
**Executive Director Corporate Services**  
31 May 2023

## ANNUAL GOVERNANCE STATEMENT

## ANNUAL GOVERNANCE STATEMENT

### 1. INTRODUCTION

Merseytravel is a Passenger Transport Executive which also operates as a transport delivery body for Liverpool City Region Combined Authority (herein referred to as the Combined Authority).

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

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 used 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 2023 and up to the date of approval of the Statement of Accounts.

### 2. 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 employees for reference via the Merseytravel Constitution.



This Statement 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.

### **3. PURPOSE OF THE GOVERNANCE FRAMEWORK**

The governance framework comprises the systems, processes, culture, and values by which Merseytravel is directed and controlled and its activities through which it accounts to, engages with and supports the Combined Authority to lead 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 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 materialise, and to manage them efficiently, effectively and economically.

### **4. OVERALL GOVERNANCE FRAMEWORK**

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

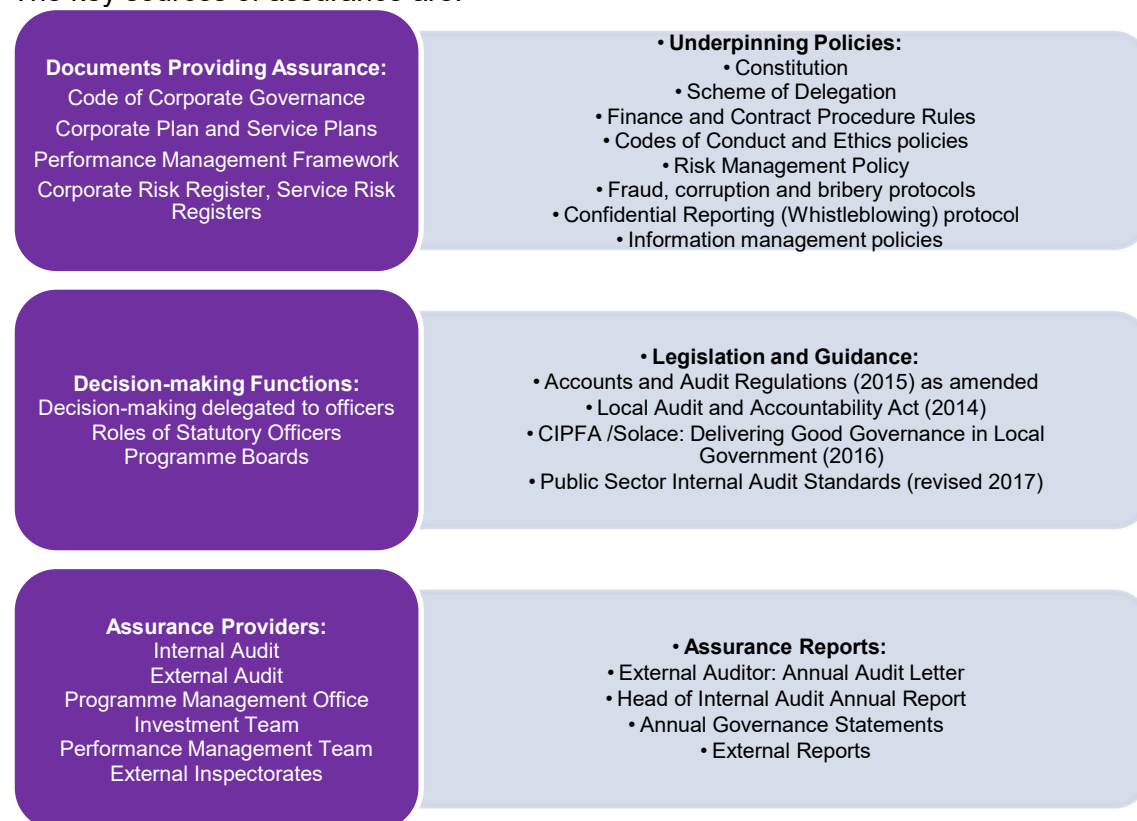
The Combined Authority was established by the Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority Order 2014, under the provisions of the Local Democracy, Economic Development and Construction Act 2009. It became a Mayoral Combined Authority in 2017. The Combined Authority is led by Mayor Steve Rotherham and brings together the Combined Authority's six local authorities – Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral (the Constituent Authorities).

Merseytravel 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 its direct transport operations although there is integration at a strategic level.

The Combined Authority sets the Transport Levy (to be paid by the Constituent Authorities), approves tunnels tolls and other fees and charges levied by Merseytravel 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 1968, retains its status as a distinct statutory body. Despite its separate statutory status, for all practical purposes, there is little distinction between the Combined Authority and Merseytravel. Some of the Directors of the Combined Authority are also Directors of Merseytravel. The statutory functions of Head of Paid Service, Monitoring Officer and Director of Finance are fulfilled on a joint basis across the two organisations.

Merseytravel Board activities are overseen, and assurance is given by, the Audit and Governance Committee of the Combined Authority.

The key sources of assurance are:



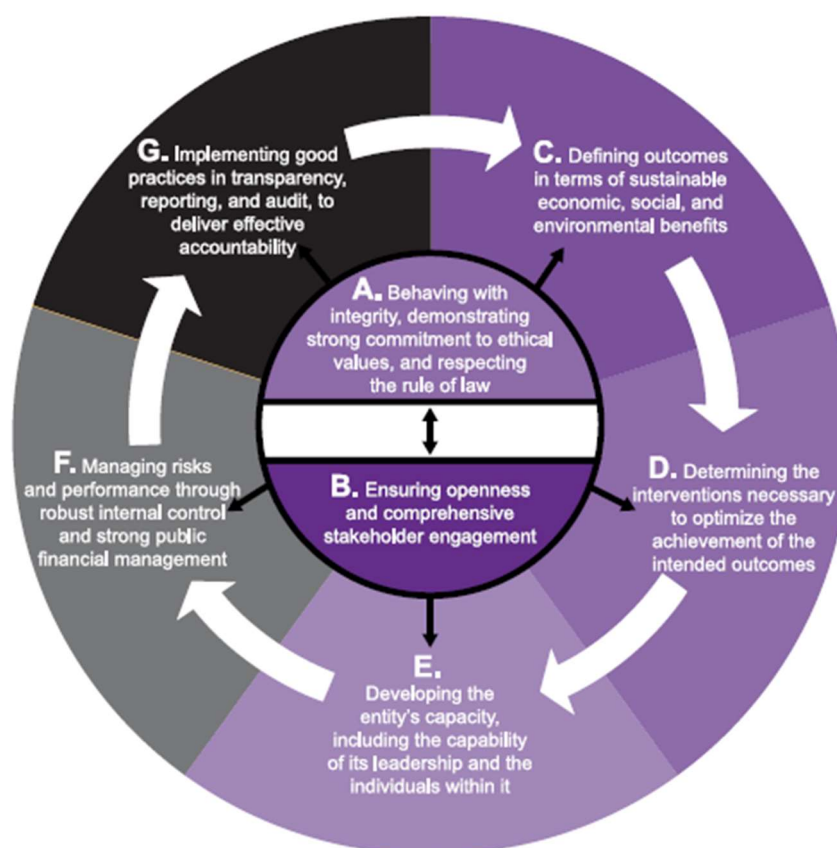


## 5. REVIEW OF EFFECTIVENESS

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 Executive 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; to which all relevant officers contributed); the Head of Internal Audit's Annual Report and Opinion; and from 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 conducted a review of its effectiveness against each of the CIPFA/SOLACE principles, and this is detailed on the following pages.

## **Core Principle 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 December 2022. Feedback from managers indicates an improved level of awareness of this document.

A joint Code of Corporate Governance, detailing the Nolan Principles, was updated, approved, and relaunched to all employees via I4P in June 2021.

Whilst understanding and awareness of the Seven Principles of Public Life (Nolan Principles) has improved in recent years; focus is required to ensure the principles continue to be understood. New starter employee induction provides an opportunity to hear about the relevance of the Nolan Principles in the context of delivering the Corporate Plan and aligned to the organisation's behaviours. This is held bi-monthly and open to all new starters, those returning to the organisation as well as anyone else who wishes to attend.

Managers across the organisation reported positive awareness by employees of the organisation's corporate behaviours.

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

Acceptance rates of organisational policies have improved; however, continued focused attention will be required, during 2023/24, to ensure all key policies are read and accepted by employees, and there is greater clarity as to what constitutes a key corporate policy. A number of policies are also overdue and require review and updating, and this will need to be addressed in 2023/24.

Legal advice is sought where required; no legal challenges were received in the year. Work continued during the year in response to a significant legal challenge in preparation for a hearing that took place in February.

The Gifts, Hospitality and Declarations of Interest Procedure was reviewed in November 2020 and issued to employees via I4P. This is also held on the corporate intranet (OnePlace), along with the declaration forms and an annual reminder is sent to employees to complete declarations.

There is a defined programme of corporate mandatory eLearning which was updated in February 2023 to include Fire Safety. All employees are required to complete the following courses upon joining the organisation: Health and Safety Introduction, Cyber Crime, Equality in the Workplace, Fraud Awareness, Fire Safety, Introduction to General Data Protection Regulation (GDPR) and Freedom of Information (FOI). GDPR and FOI are required to be refreshed every two years. Completion rates have been updated monthly since the end of March 2023 and shared with Directorate areas. Completion rates for e-learning across the organisation have improved; however, focussed attention will be required, during 2023/24, to ensure all necessary e-learning is completed.

The quality of, and compliance with, Equality Impact Assessment obligations have continued to improve during the year with the appointment of a Lead Officer in this area and

publication of guidance to assist officers. This will continue to be an area of attention in 2023/24.

## Core Principle 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.

Merseytravel engages stakeholders, including through the regular schedule of meetings with Transport Advisory Group, the Transport and Air Quality portfolio holder, Chief Executives, Leaders and Mayors, and external stakeholders more broadly.

The Transport Delivery Board, an officer group, has met monthly during the year, supporting decision-making on key transport projects.

During the year, plans for bus reform continued, with the external review of the business case, and approval by the Combined Authority to progress to statutory consultation with communities and passengers. The consultation will take place early in 2023/24.

An extensive consultation on the Local Transport Plan Vision and Goals document commenced in May 2022 and ran until the Autumn. This included open consultation on the website together with more targeted communications and interviews with people living in each area across the City Region including targeted contact with young people, older people, and people living with dementia. Further consultation on the Local Transport Plan itself will follow in Autumn 2023.

Arrangements for partnership working have improved during the year, and the focus on the need for reporting on outcomes and documenting agreements will continue to develop in 2023/24.

The Transport Committee has met four times during the year and provides scrutiny of transport activities, including scrutiny of the Merseytravel budget. 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 presented to the Transport Committee for their information and consideration. It continues to provide oversight and scrutiny of key transport activity. Member queries are responded to within an appropriate timescale.

Minutes of Transport Committee meetings are made available to stakeholders; and evidence and rationale to support decisions is made available to stakeholders. The Transport Delivery Board is an officer forum to consider matters in advance of determination by the Merseytravel Board or alternatively the Delegated Decision system of Merseytravel (dependent upon value).

During the year, the remit of the Combined Authority's Audit and Governance Committee was broadened to include review of Merseytravel matters relating to internal control, risk, governance and financial management, to inform decision-making by Merseytravel Board. This was following the decision to disband the Audit, Risk and Governance Board, and provides the Audit and Governance Committee with a more coherent view of the organisation's governance arrangements.

### **Core Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits**

Relevant financial, social, and environmental considerations have to be included within Committee reports. Reporting key aspects of organisational performance to Members has also continued during the course of the year. The revised template for reports that has been introduced focuses the author's mind upon each of these key areas.

Employees have an awareness of the Corporate Plan and the role that each area plays in achieving its priorities and why this is important to the residents of the City Region. This is particularly the case with the commitments to zero carbon targets, social value, and broader equalities duties.

In terms of the net zero carbon agenda, considerable 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. The City Region commissioned the production of hydrogen-powered buses during 2022/23 and these will be placed into service early in 2023/24.

Through funding secured via Transforming Cities Fund, Merseytravel is currently investing in innovative battery technology that allows the new rolling stock fleet to operate trains off the third rail (i.e. not using electricity). The roll-out of the new trains commenced during the year, and the first train came into operation in January 2023, marking a significant milestone in this landmark project.

A Net Zero Carbon Delivery Board, comprised of officers, has been established to monitor progress and ensure that zero carbon objectives are reflected throughout the broadest range of Combined Authority and Merseytravel activity. A five-year detailed action plan for reaching net zero carbon was being developed during the year, and implementation of the action plan in relation to achieving the City Region's net zero carbon target for those aspects directly delivered or commissioned by the organisation will commence in 2023/24.

The Combined Authority has also dedicated significant resources to Social Value responsibilities in 2022/23, with the appointment of a Social Value lead and implementation of the Social Value Framework and portal. Work must continue in 2023/24 to ensure that the benefits of this approach are focused and measurable across Merseytravel.

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

#### **Core Principle D: Determining the interventions necessary to optimise the achievement of intended outcomes**

Further strengthening of evidence-based policymaking has occurred during the year and training and workshops on risk took place to ensure that the organisation has a greater understanding of implications and risks associated with decision-making. This has strengthened during the year with the launch of new Committee and Merseytravel Board report template, which supports transparency and consistency. Risk and financial implications are considered as part of the decision-making process. Officers from Risk and Finance are mandatory signatories on all reports to Merseytravel.

Risk management has continued to strengthen and embed into the organisation. A Corporate Risk Register is in place which is regularly reviewed. The Risk Group continues to support the process; and significant progress has been made in establishing Service Risk Registers across the organisation, although further development is required to ensure risk management is embedded across the organisation.

Key aspects of performance within each directorate are reported upon.

Recovery from the impact of the pandemic continues to be a challenge and there is continued 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 has progressed its preferred option for bus reform during the year. During 2024/25, the organisation will use the outcomes from the statutory consultation to begin to shape the delivery options for a franchise model of bus governance for the City Region. There are further key decisions to take during the year in progressing with the model.

The Combined Authority uses its influence effectively to support its constituent Local Authorities to deliver for the City Region, by drawing in capacity and resources to work collaboratively.

The organisation has worked very closely and effectively to manage the Merseyrail concession and agreements with bus operators to ensure that the public transport network was maintained throughout the year.

## Core Principle E: Developing capacity and capability

Having a pipeline of schemes and the organisational capacity to deliver continues to be critical to the Combined Authority's ability to deliver its obligations under its Devolution Deal. In particular, the successful bid for City Region Sustainable Transport Settlement funding in 2021/22 was seen as vindication from government of the strength of the pipeline and the underpinning delivery arrangements. It is the role of Merseytravel to deliver on behalf of the Combined Authorities, in conjunction with Local Authorities, the schemes supported by this funding and other funding sources such as the Transport Levy.

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

Capacity continues to be developed across the Combined Authority with particular focus on delivery. Allied to this, an area of continued focus of attention in 2022/23 was the work supporting each constituent Local Authority in its capacity to deliver, and part of this has been to support the delivery of Local Authority transport schemes.

The Developing Our Organisation programme was completed during the year 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.

It was formally closed in November 2022 and remaining work taken forward through the new People Strategy and "In Shape To Deliver" - the Combined Authority's internal Business Transformation programme.

During the year there has been a continued focus on training and development of senior leaders and managers via the Leadership Development Programme, and there have been meetings of the Collaborative Leadership Team to continue to embed the learning from the training. A Team Leader Development Programme has also been established for all team leaders and front-line managers to participate in to develop their leadership and management skills.

A Leadership Charter and People Strategy have been established to support workforce development.

Following the Employee Survey and follow-up pulse survey conducted in 2021/22, actions have been progressed to address the findings. The next survey will take place in April 2023 and further action plans will be produced as a result of the findings. The surveys are facilitated by an external provider, which enables comparison and benchmarking with other organisations.

Individual Performance Plan discussions (IPPs) are undertaken annually, and these identify training needs. Training needs identified as a result of the IPP process are not always



addressed in a timely manner, and this will be a priority in 2023/24. Management information is being provided to the Executive Leadership Team on the completion of such training.

Regular management team meetings; 1-2-1s; and team meetings take place.

Steps have continued to be taken by the organisation to maintain the health, safety, and wellbeing of its employees. New ways of working have been adopted; and DSE risk assessments are completed for home and office working.

It has been identified that some job descriptions are not up to date, these will be subject to review in 2023/24 and annually as part of the IPP process.

## **Core Principle F: Managing risks and performance through robust internal control and strong public financial management**

Schemes of delegation are in place; delegated decisions are completed when appropriate; and authorised limits are adhered to by signatories.

There has been continued investment in risk management during the year and systems are becoming embedded. This has been led by the Executive Leadership Team and reflected in a fully updated Corporate Risk Register, reviewed regularly and much greater understanding of risk at all levels.

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.

The Risk Management Policy was reviewed and updated during the year to clearly define roles and responsibilities and provide greater guidance to officers. At a corporate level, evidence is available to confirm these roles and responsibilities are now becoming embedded.

Risk should be on the agenda as part of all reports presented to formal committees/ 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 and Committee 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 that up to date and risk registers are available for every service area and project, and that the content of each register meets minimum expectations and is reviewed on a regular basis.

Fraud awareness training is available as an e-learning package, which has been completed by 82% of employees, and an appropriate Fraud, Bribery and Corruption Strategy is in place alongside supporting policies, including in respect of whistleblowing. However, completion of the training, and employee understanding of fraud responsibilities remains an area of focus for 2023/24.

Fraud risk assessment sessions were delivered during the year as part of an awareness campaign for International Fraud Awareness Week 2022.

During the year, a self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption in Local Government 2014 was undertaken. The self-assessment indicated 82% compliance with its requirements – which means that the organisation is meeting the standard set out in the guidance. One of the main areas of focus arising from the assessment in the coming year is the need for the organisation to identify and assess its fraud risks and ensure that appropriate measures are in place to manage these risks.

Whilst significant progress has been made, further steps are required to ensure employees have read and accepted relevant corporate policies and completed relevant e-learning.

A self-assessment was 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). The positive responses provided highlighted that key controls have operated effectively during the course of the year.

Compliance with the Financial Management Code (CIPFA, 2019) is being worked towards, and will continue in 2023/24.

A self-assessment has been 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 5<sup>th</sup> Edition, April 2018. Proactive steps are being taken to further strengthen arrangements across the organisation.

There was a small number of data breaches reported during the course of the year, but none were reportable to the Office of the Information Commissioner. Managers have reported continued progress in employee awareness of how to report a data breach, should it be required, in accordance with the Information Security Incident Management Protocol.

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 a small minority of service areas and will therefore be a focus for attention during 2023/24.

## **Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**

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

Mechanisms are in place within service areas to ensure relevant and appropriate documentation is made available to stakeholders.

Whilst steps are taken to monitor customer complaints or other feedback and use this to inform the provision of services, there are areas of feedback that are not being captured and reflected fully, and improvement work in this area is underway.

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

The Combined Authority's Audit and Governance Committee met on four occasions during the year. This took on responsibility for oversight of matters in respect of Merseytravel following the dissolution of the Audit, Risk and Governance Board. This allowed for a more coherent review of audit, risk, governance and financial management matters across the organisation.

Internal Audit work undertaken during the year has identified issues of concern in the key corporate systems of Recruitment and Selection and Payroll, resulting in an organisational risk opinion of "major" for both systems. This has informed the Head of Internal Audit's Annual Opinion for 2022/23 in respect of Merseytravel as "less than adequate". The capacity for improvement remains good. The recommendations arising from the work must be implemented effectively and within timescale and the responsible Executive Directors have moved quickly to demonstrate their commitment to this.

During the year steps have been taken to ensure that outstanding Internal Audit recommendations are implemented, and improvements have been evident, although there is room for further development. A continued improvement in engagement in Internal Audit work has been evident, supported by regular presentations to the Executive and Senior Leadership Teams on work undertaken, outcomes and recommendation progress.

A self-assessment has been undertaken in relation to compliance with the governance requirements detailed in CIPFA document 'The role of the Head of Internal Audit in Public Sector Organisations' (2019). The positive responses provided highlighted that key controls have operated effectively during the course of the year. The service continues to comply with the Public Sector Internal Audit Standards.

An area for continued focus during 2023/24 is in relation to maintaining, developing, and testing Business Continuity arrangements, and ensuring Business Continuity Plans are updated to include changes in the organisation and the outcomes of testing exercises. It will be a continued focus for 2023/24 that all employees are aware of cyber-crime risk via completing the relevant training.

## **6. EVALUATION/UPDATE – SIGNIFICANT GOVERNANCE ISSUES FROM AGS 2021/22**

No significant governance issues were reported in 2021/22.

## **7. 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.

## **8. FUTURE GOVERNANCE CHALLENGES**

The governance challenges that the organisation will address in 2023/24 include:

- Understanding the implications for the Combined Authority of the English Devolution Accountability Framework, published by government in March 2023. This framework is an extension of the broader Local Government Accountability Framework and sets out how organisations with devolved powers such as Mayoral Combined Authorities will be scrutinised and held to account. The Local Government Accountability Framework is continuing to evolve and 2023 will see the introduction of the Office for Local Government (Oflog).
- Developing the organisation's systems and processes around its employees, including ensuring role descriptions are regularly reviewed, mandatory training is completed, and policies are read and understood.
- Continuing the significant internal business transformation work to develop modern and efficient systems to support the organisation in the future.

## 9. CONCLUSION

Merseytravel is satisfied that appropriate governance arrangements are in place and that the governance arrangements in place in 2022/23 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 2022/23 continued to focus on maintaining effective governance and delivery around Merseytravel's core activities.

## 10. CERTIFICATION



**Richard McGuckin**

A handwritten signature in black ink, appearing to read 'R McGuckin'.

**Executive Director Place**



**John Fogarty (CPFA)**

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

**Executive Director Corporate Services**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERSEYTRAVEL**

To be inserted on audit completion.



## **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 2022	4,630	54,798	59,428	27,151	367,517	(69,501)	(578)	324,588	384,016
Comprehensive Income and Expenditure Statement	24,728	0	24,728	6,927	0	91,876	0	98,803	123,531
Adjustments to the revenue resources *									
Pensions costs	6,805	0	6,805	0	0	(6,805)	0	(6,805)	0
Holiday pay	(130)	0	(130)	0	0	0	130	130	0
Charges for depreciation and amortisation of non-current assets	7,174	0	7,174	0	(7,174)	0	0	(7,174)	0
Revenue expenditure funded from capital under statute	58,839	0	58,839	0	(58,839)	0	0	(58,839)	0
Capital grants and contributions credited to the CIES	(90,710)	0	(90,710)	0	90,710	0	0	90,710	0
Total adjustments to revenue resources	(18,023)	0	(18,023)	0	24,697	(6,805)	130	18,022	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	(2,800)	2,745	(55)	0	55	0	0	55	0
Net Increase/(Decrease) in 2022/23	3,905	2,745	6,650	6,059	25,620	85,071	130	116,881	123,531
Balance as at 31st March 2023	8,533	57,544	66,077	33,210	393,137	15,570	(448)	441,470	507,547

\*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 2021	4,630	54,086	58,715	28,019	294,122	(92,064)	(578)	229,499	288,214
Comprehensive Income and Expenditure Statement	66,855	0	66,855	0	0	28,947	0	28,947	95,802
Adjustments to the revenue resources *									
Pensions costs	6,384	0	6,384	0	0	(6,384)	0	(6,384)	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
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	(66,143)	0	(66,143)	0	72,527	(6,384)	0	66,143	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	713	(868)	73,395	22,563	0	95,090	95,802
Balance as at 31st March 2022	4,630	54,798	59,428	27,151	367,517	(69,501)	(578)	324,588	384,016

\*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.

2021/22 £'000				2022/23 £'000			Note
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
33,104	(9,897)	23,207	Bus Services	37,590	(16,934)	20,656	
159,808	(149,883)	9,925	Rail Services	186,152	(176,536)	9,616	
10,423	(3,299)	7,124	Customer Delivery	9,745	(3,623)	6,122	
60,651	(11,144)	49,507	Travel Concession	57,635	(12,879)	44,756	
1,131	(594)	537	Policy	1,570	(879)	691	
5,165	(396)	4,769	Corporate Management & Corporate Costs	4,973	(1,439)	3,534	
5,746	(74)	5,672	Net Cost of Mersey Ferries	6,362	(403)	5,959	
16,462	(15,814)	648	Mersey Tunnels	20,217	(19,433)	783	
<b>292,490</b>	<b>(191,101)</b>	<b>101,389</b>	<b>Net Cost of Services</b>	<b>324,243</b>	<b>(232,126)</b>	<b>92,117</b>	
		114	Other Operating Expenditure			123	7
		1,958	Financing and Investment Income			1,747	8
		(170,316)	Taxation and Non Specific Grant Income			(118,715)	10
		<b>(66,855)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>			<b>(24,728)</b>	
		(28,947)	Remeasurement (Gains)/Losses on Pension Assets/Liabilities			(91,876)	
		0	Revaluation (Gains)/Losses on Non Current Assets			(6,927)	
		<b>(28,947)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(98,803)</b>	
		<b>(95,802)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(123,531)</b>	

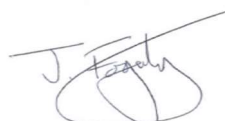
## BALANCE SHEET

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 2022 £'000		As at 31 March 2023 £'000	Note
391,695	Property, Plant and Equipment	423,498	16
326	Heritage Assets	326	
2,450	Intangible Assets	2,327	18
2,382	Loan to Subsidiary Company	2,187	19
0	Pension Asset	15,570	9
<b>396,853</b>	<b>Long Term Assets</b>	<b>443,908</b>	
580	Inventories	624	
99,688	Short term Debtors	105,914	20
35	Cash and Cash Equivalents	42	
<b>100,303</b>	<b>Current Assets</b>	<b>106,580</b>	
(29,244)	Short term Creditors	(33,798)	21
(451)	Provisions	(355)	
(10,596)	Grant Receipts in Advance	(5,635)	10
<b>(40,291)</b>	<b>Current Liabilities</b>	<b>(39,788)</b>	
(2,382)	Loan from Group Company	(2,187)	
(966)	Provisions	(966)	
(69,501)	Pension Liability	0	9
<b>(72,849)</b>	<b>Long term Liabilities</b>	<b>(3,153)</b>	
<b>384,016</b>	<b>Net Assets</b>	<b>507,547</b>	
(59,428)	Usable Reserves	(66,077)	6
(324,588)	Unusable Reserves	(441,470)	5
<b>(384,016)</b>	<b>Total Reserves</b>	<b>(507,547)</b>	



Richard McGuckin  
Executive Director Place  
31 May 2023



John Fogarty (CPFA)  
Executive Director Corporate Services  
31 May 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.

2021/22 £'000		2022/23 £'000	Note
<b>66,855</b>	<b>Net surplus/(deficit) on the provision of services</b>	<b>24,728</b>	
12,075	Adjustments to net surplus on the provision of services for non-cash movements	7,205	25
(77,619)	Adjustments to net surplus on the provision of services for items which are investing and financing activities	(31,871)	25
<b>1,311</b>	<b>Net cash inflows from Operating Activities</b>	<b>62</b>	
(1,299)	Investing activities	(55)	25
<b>12</b>	<b>Net increase in cash and cash equivalents</b>	<b>7</b>	
23	Cash and cash equivalents as at 1 April	35	23
<b>35</b>	<b>Cash and cash equivalents as at 31 March</b>	<b>42</b>	

## 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 2022/23 and its position as at 31 March 2023. 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 2022/23, 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 2023. 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.

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. Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- iii. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- iv. Deferred Tax related to Assets and Liabilities arising from a Single Transactions (Amendments to IAS 12) issued in May 2021.
- v. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

## **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 and 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 31 March 2023 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 31 March 2023 Merseytravel has £105.9m 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 31 March 2023 was £86.2m. In the 2022/23 financial year an estimate of the movement in values was calculated making use of indices which were provided by the external valuers. These estimates indicated a material movement and therefore have been applied to the Merseytravel property portfolio in the 2022/23 financial year. A full revaluation of all CA Group properties will take place in the 2023/24 financial year.
- iv. Expected Credit Loss: as at 31 March 2023 Merseytravel has £105.9m short term debtors. The recoverability of debts are reviewed annually, and provision is made for any debts concerns about recoverability. Within 2022/23 this was estimated to be £6k.

#### 5. Unusable Reserves

2021/22 £'000		2022/23 £'000
(27,151)	Revaluation Reserve	(33,210)
(367,517)	Capital Adjustment Account	(393,137)
69,501	Pension Reserve	(15,570)
578	Accumulating Absences Account	448
<b>(324,588)</b>	<b>Total</b>	<b>(441,470)</b>

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

2021/22 £'000		2022/23 £'000
<b>92,064</b>	<b>Balance as at 1 April</b>	<b>69,501</b>
(28,947)	Remeasurements of the net defined benefit liability	(91,876)
10,612	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	11,311
(4,228)	Employers pension contributions and direct payments to pensioners payable in the year	(4,506)
<b>69,501</b>	<b>Balance as at 31 March</b>	<b>(15,570)</b>

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.

2021/22 £'000		2022/23 £'000
<b>578</b>	<b>Balance as at 1 April</b>	<b>578</b>
0	Settlement or cancellation of accrual made at the end of the preceding year	(578)
0	Amounts accrued at the end of the current year	448
<b>578</b>	<b>Balance as at 31 March</b>	<b>448</b>

## 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 2022/23.

	Note	Balance 1 April 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance 31 March 2023 £'000
Capital Reserves	a	(5,763)	0	0	(5,763)	55	0	(5,708)
Rail Franchise Reserve	b	(26,319)	0	0	(26,319)	0	0	(26,319)
Restructuring Reserve	c	(4,368)	0	0	(4,368)	0	0	(4,368)
OLR Reserve	d	(2,000)	0	0	(2,000)	0	0	(2,000)
Concessionary Travel Reserve	e	(4,631)	0	0	(4,631)	0	0	(4,631)
Bus Operations Reserve	f	(3,507)	0	0	(3,507)	0	0	(3,507)
Sustainable Transport Reserve	f	(225)	0	0	(225)	0	0	(225)
JVC P&L Reserve	g	(1,386)	0	0	(1,386)	0	0	(1,386)
Modernisation Reserve	h	(5,887)	0	0	(5,887)	0	0	(5,887)
Inflationary Reserve	i	0	0	(713)	(713)	0	0	(713)
Rail Reserve	j	0	0	0	0	0	(2,800)	(2,800)
<b>Total Earmarked Reserves</b>		<b>(54,086)</b>	<b>0</b>	<b>(713)</b>	<b>(54,799)</b>	<b>55</b>	<b>(2,800)</b>	<b>(57,544)</b>
General Fund Reserve	k	(4,629)	0	0	(4,629)	0	(3,904)	(8,533)
<b>Total Usable Reserves</b>		<b>(58,715)</b>	<b>0</b>	<b>(713)</b>	<b>(59,428)</b>	<b>55</b>	<b>(6,704)</b>	<b>(66,077)</b>

- (a) The capital reserves are used to support the funding of the capital programme.
- (b) The rail franchise agreement (benefit share) reserve is used to support development of strategic transport initiatives.
- (c) The restructuring reserve is utilised to provide support to staffing cost implications of service transformation programmes.
- (d) 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.

- (e) Operational reserves are used to support the current transport network and ticketing initiatives.
- (f) The sustainable transport reserve supports the Local Growth Fund initiatives surrounding the STEP programme.
- (g) The JVC P&L Reserve was established to protect Merseytravel from any potential losses arising from subsidiary activities.
- (h) The modernisation fund has been created to support organisational change and development and to invest to save.
- (i) This inflationary reserve has been set aside to provide some funding to help mitigate the impact of cost pressures on budgets.
- (j) The Rail reserve has been created to provide a pot of funding to cover emerging Rail related pressures and support small scale interventions in support of the implementation of the new fleet.
- (k) The general fund is general balances held to protect Merseytravel's financial position from unforeseen events.

## 7. Other Operating Expenditure

2021/22 £'000		2022/23 £'000
114	Pension administration costs	123
<b>114</b>	<b>Total</b>	<b>123</b>

## 8. Financing and Investment Income

2021/22 £'000		2022/23 £'000
8,284	Interest on Pension Liabilities	11,124
(6,395)	Pension Interest on Plan Assets	(9,241)
135	Interest Payable on Intercompany Loan	127
(135)	Interest Receivable on Intercompany Loan	(127)
69	Expected Credit Loss	(136)
<b>1,958</b>	<b>Total</b>	<b>1,747</b>

## 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.

2021/22 £'000		2022/23 £'000
	<b>Net Cost of Service</b>	
8,609	Current service cost	9,300
0	Past service cost	5
	<b>Other Operating Expenditure</b>	
114	Administration expenses	123
	<b>Financing and Investment Income</b>	
1,889	Net interest expense	1,883
<b>10,612</b>	<b>Total Post Employment Benefits Charged to the CIES</b>	<b>11,311</b>

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

2021/22 £'000		2022/23 £'000
(10,612)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(11,311)
4,228	Employers contribution payable to the Scheme	4,506
<b>(6,384)</b>	<b>Total</b>	<b>(6,805)</b>

### **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:

2021/22 £'000		2022/23 £'000
(402,891)	Benefit obligation at the end of the period	(293,162)
333,390	Fair Value of plan assets at end of the period	308,732
<b>(69,501)</b>	<b>Surplus/(Deficit) as at 31 March</b>	<b>15,570</b>

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

2021/22 £'000		2022/23 £'000
<b>307,853</b>	<b>Balance brought forward 31 March</b>	<b>333,390</b>
6,395	Interest on plan assets	9,241
25,933	Remeasurements	(27,070)
(114)	Administration expenses	(123)
4,228	Employers contributions	4,506
1,591	Members contributions	1,700
(12,496)	Benefits/transfers paid	(12,912)
<b>333,390</b>	<b>Balance 31 March</b>	<b>308,732</b>

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

2021/22 £'000		2022/23 £'000
(399,917)	<b>Balance brought forward 31 March</b>	<b>(402,891)</b>
(8,609)	Current service cost	(9,300)
0	Past service cost	(5)
(8,284)	Interest on pension liabilities	(11,124)
(1,591)	Members contributions	(1,700)
3,014	Remeasurements (liabilities)	118,946
12,496	Benefits/transfers paid	12,912
<b>(402,891)</b>	<b>Balance 31 March</b>	<b>(293,162)</b>

**As at 31 March the assets comprised:**

31 March 2022 £'000					31 March 2023 £'000			
Quoted	Unquoted	Total	% of total		Quoted	Unquoted	Total	% of total
47,741	5,401	53,142	16	<b><u>Equities</u></b>				
72,546	35,606	108,152	32	UK	43,316	3,581	46,897	15
				Global	67,458	37,357	104,815	34
0	0	0	0	<b><u>Bonds</u></b>				
0	0	0	0	Overseas Government	185	0	185	0
4,101	0	4,101	1	Collateralized Bonds	185	0	185	0
11,135	0	11,135	3	UK Government	3,427	0	3,427	1
31,839	0	31,839	10	UK Corporate	6,206	0	6,206	2
1,867	0	1,867	1	UK Indexed Linked (Gov)	25,316	0	25,316	8
0	(1,067)	(1,067)	0	Overseas Corporate	1,575	0	1,575	1
				Derivative Contracts	0	(1,698)	(1,698)	(1)
0	17,603	17,603	5	<b><u>Property</u></b>				
400	5,001	5,401	2	UK Direct Property	0	14,047	14,047	5
0	8,135	8,135	2	UK Managed Property	309	9,632	9,941	3
				Global Managed Property	0	9,818	9,818	3
0	9,235	9,235	3	<b><u>Alternatives</u></b>				
33	20,270	20,303	6	UK Private Equity	31	10,620	10,651	3
500	1,334	1,834	1	Global Private Equity	0	19,851	19,851	6
0	11,402	11,402	3	UK Other Alternatives	31	0	31	0
0	14,569	14,569	4	Global Other Alternatives	0	7,718	7,718	2
0	9,735	9,735	3	UK Infrastructure	0	16,949	16,949	5
0	6,001	6,001	2	Global Infrastructure	0	9,509	9,509	3
533	11,302	11,835	4	UK Private Credit	0	4,631	4,631	2
0	0	0	0	Global Private Credit	556	10,404	10,960	4
				Global Multi Asset	0	1,111	1,111	0
0	8,168	8,168	2	<b><u>Cash</u></b>				
0	0	0	0	Goodhart	0	1,297	1,297	0
				Cash Instruments	5,310	0	5,310	2
<b>170,695</b>	<b>162,695</b>	<b>333,390</b>	<b>100</b>		<b>153,905</b>	<b>154,827</b>	<b>308,732</b>	<b>100</b>

## 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.

	31-Mar-23	31-Mar-22
<u>Base Assumptions</u>		
Rate of CPI inflation	2.70%	3.40%
Rate of increase in salaries	4.20%	4.90%
Rate of increase in pensions	2.80%	3.50%
Discount Rate	4.80%	2.80%
<u>Mortality Assumptions</u>		
Life expectancy of male future pensioner aged 65 in 20 years' time	22.6	22.4
Life expectancy of female future pensioner aged 65 in 20 years' time	25.5	25.9
Life expectancy of male current pensioner aged 65	21.2	20.9
Life expectancy of female current pensioner aged 65	23.7	24.0

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 22/23 investment returns	-1% change in 22/23 investment returns
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities	293,162	272,119	304,470	295,101	299,339	293,162	293,162
Assets	(308,732)	(308,732)	(308,732)	(308,732)	(308,732)	(311,786)	(305,678)
(Surplus)/ Deficit	(15,570)	(36,613)	(4,262)	(13,631)	(9,393)	(18,624)	(12,516)
Projected service cost next year	4,232	3,637	4,568	4,232	4,342	4,232	4,232
Projected net interest cost for next year	(837)	(2,040)	(284)	(734)	(531)	(984)	(690)

## 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 2023.

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 £3.739m in contributions to the scheme in 2023/24.

## 10. Grant Income

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

<b>2021/22 £'000</b>	<b>Credited to Services</b>	<b>2022/23 £'000</b>
(99,132)	Special Rail Grant	(106,547)
(1,513)	Bus Special Operator Grant	(1,520)
(15,223)	Mersey Tunnels Operating Grant	(17,362)
(204)	Rolling Stock	0
(43,862)	REFCUS	(58,839)
(2,970)	Covid Restart Grants	(5,370)
(3,382)	Transport Development Grant from LCRCA	(288)
0	Bus Services Improvement Plan Grant	(2,487)
0	Better Deal for Bus	(1,114)
0	Low Carbon Grant	(1,788)
(790)	Other Grants	(724)
<b>(167,076)</b>	<b>Total</b>	<b>(196,038)</b>

<b>2021/22 £'000</b>	<b>Credited to Taxation and Non Specific Grant Income</b>	<b>2022/23 £'000</b>
(91,646)	Merseytravel Grant	(86,844)
(1,052)	MHCLG Income Compensation Scheme	0
(77,618)	Capital Grants	(31,871)
<b>(170,316)</b>	<b>Total</b>	<b>(118,715)</b>

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:

<b>2021/22 £'000</b>	<b>Grant Receipts in Advance</b>	<b>2022/23 £'000</b>
(6,829)	Transforming Cities Funding	(4,444)
(107)	Better Bus Area	0
(2,012)	Better Deal for Bus	0
(252)	Smart Ticketing	(252)
(765)	Clean Bus Grant	(721)
(193)	DfT	0
(438)	Other	(218)
<b>(10,596)</b>	<b>Total</b>	<b>(5,635)</b>

## 11. Officers' Remuneration

### Senior Officers Remuneration

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

		Salary	Employers Pension Contribution	Total Remuneration
		£'000	£'000	£'000
Executive Director Place	2022/23	121	16	137
	2021/22	19	3	22
Executive Director Corporate Services	2022/23	66	9	75
	2021/22	65	9	74
Executive Director Corporate Development and Delivery	2022/23	49	8	57
	2021/22	51	8	59
Chief Executive & Director General (resigned 30 September 2021)	2022/23	0	0	0
	2021/22	53	9	62
Interim Director of Integrated Transport (resigned 31 March 2022)	2022/23	0	0	0
	2021/22	123	20	143

- (i) The Executive Director Place incorporates the transport responsibilities associated with the Director General role but has 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.
- (ii) The Executive Director Corporate Services provides services for both Merseytravel and the Liverpool City Region Combined Authority. The Executive Director Corporate Services is formally employed by LCRCA and Merseytravel is recharged 50% of his salary and other remuneration.
- (iii) The Executive Director Corporate Development and Delivery provides services for both Merseytravel and Liverpool City Region Combined Authority and as such the salary is split 50/50 across both entities.
- (iv) The Director General retired with effect from 30 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 Place.
- (v) The Interim Director of Integrated Transport resigned with effect from 31 March 2022. This post has been deleted from the Merseytravel management structure.

### 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	2021/22	2022/23
£50,000 to £54,999	24	26
£55,000 to £59,999	16	16
£60,000 to £64,999	17	17
£65,000 to £69,999	2	6
£70,000 to £74,999	4	1
£75,000 to £79,999	1	4
£80,000 to £84,999	0	1
£85,000 to £89,999	0	0
£90,000 to £94,999	1	0
£95,000 to £99,999	1	1
£100,000 to £104,999	2	2
£105,000 to £109,999	1	2
£110,000 to £114,999	0	0
£115,000 to £119,999	0	0
£120,000 to £124,999	0	1
£125,000 to £129,999	0	0
£130,000 to £134,999	0	0
£135,000 to £139,999	0	0
£140,000 to £144,999	1	1
<b>Total</b>	<b>70</b>	<b>78</b>

## 12. Exit Packages

	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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22 £'000	2022/23 £'000
£0 - £20,000	0	0	3	3	3	3	17	18
£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
<b>Total</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>17</b>	<b>18</b>

### 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.

2021/22 £'000				2022/23 £'000		
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
21,724	1,483	23,207	Bus Services	19,102	1,554	20,656
8,482	1,443	9,925	Rail Services	6,473	3,144	9,616
6,587	537	7,124	Customer Delivery	5,595	526	6,122
49,507	0	49,507	Travel Concession	44,756	0	44,756
480	57	537	Policy	631	61	691
1,466	3,303	4,769	Corporate Management & Corporate Costs	204	3,330	3,534
3,671	2,001	5,672	Net Cost of Mersey Ferries	3,513	2,446	5,959
(1)	649	648	Mersey Tunnels	0	783	783
<b>91,916</b>	<b>9,473</b>	<b>101,389</b>	<b>Net Cost of Services</b>	<b>80,274</b>	<b>11,843</b>	<b>92,117</b>
(92,628)	(75,616)	(168,244)	Other Income and Expenditure	(86,924)	(29,920)	(116,845)
<b>(713)</b>	<b>(66,143)</b>	<b>(66,855)</b>	<b>Surplus or deficit</b>	<b>(6,649)</b>	<b>(18,078)</b>	<b>(24,728)</b>
(58,715)			Opening Balance 1 April	(59,428)		
(713)			Surplus for the Year	(6,649)		
<b>(59,428)</b>			<b>Closing Reserves at 31 March</b>	<b>(66,077)</b>		

## Note to the EFA 2022/23

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes	Net change for Pension Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Bus Services	1,185	368	0	1,554
Rail Services	2,949	195	0	3,144
Customer Delivery	20	506	0	526
Travel Concession	0	0	0	0
Policy	0	61	0	61
Corporate Management & Corporate Costs	888	2,572	(130)	3,330
Net Cost of Mersey Ferries	2,132	314	0	2,446
Mersey Tunnels	0	783	0	783
<b>Net Cost of Services</b>	<b>7,174</b>	<b>4,799</b>	<b>(130)</b>	<b>11,843</b>
Other Income & Expenditure from the Funding Analysis	(31,926)	2,006	0	(29,920)
<b>Difference between General Fund surplus or deficit and CIES surplus or deficit</b>	<b>(24,753)</b>	<b>6,805</b>	<b>(130)</b>	<b>(18,078)</b>

## Note to the EFA 2021/22

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes	Net change for Pension Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Bus Services	1,173	311	0	1,483
Rail Services	1,260	183	0	1,443
Customer Delivery	0	537	0	537
Travel Concession	0	0	0	0
Policy	20	37	0	57
Corporate Management & Corporate Costs	893	2,410	0	3,303
Net Cost of Mersey Ferries	1,746	254	0	2,001
Mersey Tunnels	0	649	0	649
<b>Net Cost of Services</b>	<b>5,092</b>	<b>4,381</b>	<b>0</b>	<b>9,473</b>
Other Income & Expenditure from the Funding Analysis	(77,619)	2,003	0	(75,616)
<b>Difference between General Fund surplus or deficit and CIES surplus or deficit</b>	<b>(72,527)</b>	<b>6,384</b>	<b>0</b>	<b>(66,143)</b>

### Adjustments for capital purposes

This column adds in depreciation, impairment and revaluation gains and losses in the service line 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 Merseytravel 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 any premiums and discounts and adjustments in respect of accumulating absences.

## Expenditure Analysed by Type

2021/22 £'000		2022/23 £'000
	<b>Expenditure</b>	
33,066	Employee benefits expenses	33,264
265,072	Other service expenses	295,052
5,092	Depreciation, amortisation, impairment	7,174
135	Interest payments	127
<b>303,366</b>	<b>Total expenditure</b>	<b>335,617</b>
	<b>Income</b>	
(32,627)	Fees, charges and other service income	(45,465)
(135)	Interest and investment income	(127)
(337,459)	Government grants and contributions	(314,753)
<b>(370,221)</b>	<b>Total Income</b>	<b>(360,345)</b>
<b>(66,855)</b>	<b>(Surplus) or deficit on the Provision of Services</b>	<b>(24,728)</b>

## 14. Audit Fees

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

2021/22 £'000		2022/23 £'000
44	External Audit fees in respect of Merseytravel	38
<b>44</b>	<b>Total</b>	<b>38</b>

## 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 LCRCA is Merseytravel's parent and ultimate controlling party. LCRCA 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.

Group banking arrangements exist for LCRCA and Merseytravel with all investments made in the name of the LCRCA. As at 31 March 2023 Merseytravel single entity had short term deposits of £89.133m (£83.658m 2021/22) with LCRCA group. Balances are unsecured, interest free and settlement occurs in cash. No guarantees have been provided or received in respect of these sums.

## 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%
Accrington Technologies Ltd	Merseytravel	500 £1 ordinary shares	Smartcards	50.10%
Real Time Information Group Ltd	Merseytravel	1x £1 ordinary shares	Real Time Information Systems	100%
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 11, 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 is included below.

Accrington Technologies - during the last five financial years the company has not traded and has received no income and incurred no expenditure. As at 31<sup>st</sup> March 2023 the company had net assets of £5k and reserves of £5k.

Real Time Information Group (RTIG) - on 9th March 2023 RTIG transferred business to RTIG Inform Limited. The RTIG company will therefore be wound up in due course.

## 16. Property Plant and Equipment

### Movement on Balances 2022/23

	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
<b>Cost or Valuation</b>									
As at 1 April 2022		17,021	69,452	77,307	3,098	1,254	209,206	377,338	
Additions	1,947	41	205	460	532	0	28,549	29,786	31,733
Revaluation inc/(dec) recognised in the Revaluation Reserve	0	(492)	14	0	0	0	0	(478)	(478)
Reclassification	0	0	0	28,992	0	0	(28,992)	0	0
<b>As at 31 March 2023</b>		<b>16,570</b>	<b>69,671</b>	<b>106,759</b>	<b>3,630</b>	<b>1,254</b>	<b>208,763</b>	<b>406,648</b>	
<b>Depreciation and Impairment</b>									
As at 1 April 2022		1,143	3,769	3,768	876	0	0	9,555	
Depreciation	1,343	583	1,911	2,710	311	0	0	5,515	6,858
Depreciation written out to the Revaluation Reserve	0	(1,726)	(5,679)	0	0	0	0	(7,405)	(7,405)
<b>As at 31 March 2023</b>		<b>0</b>	<b>0</b>	<b>6,478</b>	<b>1,187</b>	<b>0</b>	<b>0</b>	<b>7,666</b>	
<b>Net Book Value</b>									
<b>As at 31 March 2023</b>	<b>24,518</b>	<b>16,570</b>	<b>69,671</b>	<b>100,281</b>	<b>2,443</b>	<b>1,254</b>	<b>208,763</b>	<b>398,982</b>	<b>423,498</b>
<b>As at 31 March 2022</b>	<b>23,915</b>	<b>15,878</b>	<b>65,683</b>	<b>73,539</b>	<b>2,222</b>	<b>1,254</b>	<b>209,206</b>	<b>367,781</b>	<b>391,695</b>



## Movement on Balances 2021/22

	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
<b>Cost or Valuation</b>									
As at 1 April 2021		16,775	69,075	9,433	3,055	1,211	207,819	307,368	
Additions	6,940	246	377	280	43	43	68,981	69,970	76,910
Reclassification	0	0	0	67,594	0	0	(67,594)	0	0
<b>As at 31 March 2022</b>		<b>17,021</b>	<b>69,452</b>	<b>77,307</b>	<b>3,098</b>	<b>1,254</b>	<b>209,206</b>	<b>377,338</b>	
<b>Depreciation and Impairment</b>									
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
<b>As at 31 March 2022</b>		<b>1,143</b>	<b>3,769</b>	<b>3,768</b>	<b>876</b>	<b>0</b>	<b>0</b>	<b>9,557</b>	
<b>Net Book Value</b>									
<b>As at 31 March 2022</b>	<b>23,915</b>	<b>15,878</b>	<b>65,683</b>	<b>73,539</b>	<b>2,222</b>	<b>1,254</b>	<b>209,206</b>	<b>367,781</b>	<b>391,695</b>
<b>As at 31 March 2021</b>	<b>18,202</b>	<b>16,203</b>	<b>67,202</b>	<b>6,418</b>	<b>2,485</b>	<b>1,211</b>	<b>207,819</b>	<b>301,337</b>	<b>319,540</b>

## 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 35 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 10 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 £208.8m), short life plant, machinery and vehicles (gross book value £110.4m) are carried at historical cost. The remaining categories of property, plant and equipment (gross book value £97.4m) 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 2022/23 financial year an estimate of the movement in values was calculated making use of indices. A full valuation exercise was undertaken at 31 March 2019. In the 2019/20 financial year a desktop valuation was undertaken on 70% 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 2022/23 financial year an estimate of the movement in values was calculated making use of indices which were provided by the external valuers. These estimates indicated a material movement and therefore have been applied to the Merseytravel property portfolio in the 2022/23 financial year. A full revaluation of all CA Group properties will take place in the 2023/24 financial year.

### Capital Commitments

As at 31 March 2023, Merseytravel has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/2023 and future years budgeted to cost £75.609m. Similar commitments at 31 March 2022 were £141.440m.

A breakdown of the commitments is as follows:

- |                              |          |
|------------------------------|----------|
| • Rolling Stock              | £39.186m |
| • Headbolt Lane Gateway      | £20.749m |
| • Hydrogen Buses             | £10.086m |
| • St Helens Southern Gateway | £5.588m  |

## 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.

	2022/23 £'000	2021/22 £'000
<b>Opening Capital Financing Requirement</b>	<b>(381)</b>	<b>(381)</b>
<b>Capital investment</b>		
PPE	31,733	76,910
Intangible assets	193	709
Revenue Expenditure Funded from Capital Under Statute	58,839	43,862
<b>Sources of Finance</b>		
Government grants and other contributions	(90,710)	(121,481)
Use of Reserves	(55)	0
<b>Closing Capital Financing Requirement</b>	<b>(381)</b>	<b>(381)</b>
<b>Movement in Capital Financing Requirement</b>	<b>0</b>	<b>0</b>

18. Intangible Assets

2021/22 £'000		2022/23 £'000
	<b>Cost or valuation:</b>	
	<b>Opening balance:</b>	
3,280	Gross carrying amount	3,989
(1,202)	Accumulated amortisation	(1,539)
<b>2,078</b>	<b>Opening net carrying amount</b>	<b>2,450</b>
709	Additions	193
(337)	Amortisation	(316)
<b>2,450</b>	<b>Net carrying amount at end of year</b>	<b>2,327</b>
	<b>Comprising:</b>	
3,989	Gross carrying amount	4,182
(1,539)	Accumulated amortisation	(1,855)
<b>2,450</b>		<b>2,327</b>

Intangible assets relate to licenses acquired by Merseytravel.

**19. Long Term Debtors – loan to subsidiary company**

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
2,382	Long Term loan to Subsidiary Company	2,187
<b>2,382</b>	<b>Balance as at 31 March</b>	<b>2,187</b>

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**

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
1,812	Trade Receivables	2,294
2,454	Prepayments	783
83,845	Group Debtors	89,328
1,082	Grant	2,350
3,441	Tax Debtor	4,435
7,053	Other Receivable Amounts	6,724
<b>99,688</b>	<b>Balance as at 31 March</b>	<b>105,914</b>

**21. Short Term Creditors**

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
(1,860)	Trade Payables	(2,311)
(1,600)	Group Creditors	(551)
(24,462)	Accruals	(27,443)
(1,323)	Other Payables	(3,493)
<b>(29,244)</b>	<b>Balance as at 31 March</b>	<b>(33,798)</b>

**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.

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
(34)	Not later than one year	(13,272)
(135)	Between one and five years	(95,935)
(25)	Over five years	(7,751)
<b>(194)</b>	<b>Total</b>	<b>(116,958)</b>

Merseytravel has procured the first publicly owned fleet of trains in the UK. These will be leased to Merseyrail as the concession holder for the remainder of the concession agreement until 2028. The impact of this lease arrangement is reflected in the table above.

## 23. Financial Instruments

### Categories of Financial Instruments

31 March 2022 £'000			31 March 2023 £'000	
Current	Non Current		Current	Non Current
		<b>Financial Assets at Amortised Cost:</b>		
187	2,382	Loan to Subsidiary Company	196	2,187
83,658	0	Amount deposited with LCRCA	89,133	0
13,389	0	Debtors	15,803	0
35	0	Cash & Cash Equivalents	42	0
<b>97,269</b>	<b>2,382</b>	<b>Total Financial Assets</b>	<b>105,174</b>	<b>2,187</b>
		<b>Financial Liabilities at Amortised Cost:</b>		
(187)	(2,382)	Loan from Group Company	(196)	(2,187)
(29,057)	0	Creditors	(33,602)	0
<b>(29,244)</b>	<b>(2,382)</b>	<b>Total Financial Liabilities</b>	<b>(33,798)</b>	<b>(2,187)</b>

### Income and Expenses through the CIES

During the year, Merseytravel paid interest of £127k (£135k in 2021/22) and received interest of £127k (£135k in 2021/22). 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 £2.187m 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. This has led to MEL invoking contractual mechanisms to seek resolution to a number of issues concerning funding.

These matters are yet to be finalised and, due to the ongoing nature of this matter, 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:

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
5,092	Depreciation amortisation and revaluation losses	7,174
(1,099)	Increase/(decrease) in creditors, provisions	(698)
1,709	(Increase)/decrease in debtors	(6,031)
(11)	(Increase)/decrease in inventories	(44)
6,384	Pension movements	6,805
<b>12,075</b>	<b>Total</b>	<b>7,205</b>

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

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
(77,619)	Grants received for the financing of capital expenditure	(31,871)
<b>(77,619)</b>	<b>Total</b>	<b>(31,871)</b>

### Cashflow Statement Investing Activities

<b>2021/22 £'000</b>		<b>2022/23 £'000</b>
(75,762)	Purchase of property, plant and equipment and intangible assets	(31,926)
74,463	Other (purchases)/receipts from investing activities	31,871
<b>(1,299)</b>	<b>Total</b>	<b>(55)</b>



## 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 2022	4,630	54,987	59,617	27,361	367,517	(69,501)	(578)	324,799	384,416
Comprehensive Income and Expenditure Statement	25,231	0	25,231	6,927	0	91,876	0	98,803	124,035
Adjustments to the revenue resources *									
Pensions costs	6,805	0	6,805	0	0	(6,805)	0	(6,805)	0
Holiday pay	(130)	0	(130)	0	0	0	130	130	0
Charges for depreciation and amortisation of non-current assets	7,283	0	7,283	0	(7,283)	0	0	(7,283)	0
PPE Impairment	45	0	45	0	(45)	0	0	(45)	0
Revenue expenditure funded from capital under statute	58,839	0	58,839	0	(58,839)	0	0	(58,839)	0
Capital grants and contributions credited to the CIES	(90,710)	0	(90,710)	0	90,710	0	0	90,710	0
Total adjustments to revenue resources	(17,868)	0	(17,868)	0	24,543	(6,805)	130	17,868	0
Adjustments to capital resources									
Difference between fair value and historical cost depreciation	0	0	0	(913)	913	0	0	0	0
Total adjustments to capital resources	0	0	0	(913)	913	0	0	0	0
Transfer between reserves	(3,460)	3,296	(164)	0	164	0	0	164	0
Net Increase/(Decrease) in 2022/23	3,903	3,296	7,199	6,014	25,620	85,071	130	116,835	124,035
Balance as at 31st March 2023	8,533	58,283	66,815	33,375	393,137	15,570	(448)	441,634	508,451

\* 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	
<b>As at 1st April 2021</b>	<b>4,630</b>	<b>54,385</b>	<b>59,015</b>	<b>28,229</b>	<b>294,122</b>	<b>(92,064)</b>	<b>(578)</b>	<b>229,709</b>	<b>288,724</b>
<b>Comprehensive Income and Expenditure Statement</b>	<b>66,745</b>	<b>0</b>	<b>66,745</b>	<b>0</b>	<b>0</b>	<b>28,947</b>	<b>0</b>	<b>28,947</b>	<b>95,692</b>
<b>Adjustments to the revenue resources *</b>									
Pensions costs	6,384	0	<b>6,384</b>	0	0	(6,384)	0	<b>(6,384)</b>	<b>0</b>
Holiday pay	0	0	<b>0</b>	0	0	0	0	<b>0</b>	<b>0</b>
Charges for depreciation and amortisation of non-current assets	5,092	0	<b>5,092</b>	0	(5,092)	0	0	<b>(5,092)</b>	<b>0</b>
Capital expenditure financed from revenue balances	0	0	<b>0</b>	0	0	0	0	<b>0</b>	<b>0</b>
Revenue expenditure funded from capital under statute	43,862	0	<b>43,862</b>	0	(43,862)	0	0	<b>(43,862)</b>	<b>0</b>
Capital grants and contributions credited to the CIES	(121,481)	0	<b>(121,481)</b>	0	121,481	0	0	<b>121,481</b>	<b>0</b>
<b>Total adjustments to revenue resources</b>	<b>(66,143)</b>	<b>0</b>	<b>(66,143)</b>	<b>0</b>	<b>72,527</b>	<b>(6,384)</b>	<b>0</b>	<b>66,143</b>	<b>0</b>
<b>Adjustments to capital resources</b>									
Difference between fair value and historical cost depreciation	0	0	<b>0</b>	(868)	868	0	0	<b>0</b>	<b>0</b>
<b>Total adjustments to capital resources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(868)</b>	<b>868</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfer between reserves	(602)	602	<b>0</b>	0	0	0	0	<b>0</b>	<b>0</b>
<b>Net Increase/(Decrease) in 2021/22</b>	<b>0</b>	<b>602</b>	<b>602</b>	<b>(868)</b>	<b>73,395</b>	<b>22,563</b>	<b>0</b>	<b>95,090</b>	<b>95,692</b>
<b>Balance as at 31st March 2022</b>	<b>4,630</b>	<b>54,987</b>	<b>59,617</b>	<b>27,361</b>	<b>367,517</b>	<b>(69,501)</b>	<b>(578)</b>	<b>324,799</b>	<b>384,416</b>

\* 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.

2021/22 £'000				2022/23 £'000		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
33,104	(9,897)	23,207	Bus Services	37,590	(16,934)	20,656
171,807	(161,882)	9,925	Rail Services	195,900	(186,284)	9,616
10,423	(2,959)	7,464	Customer Delivery	9,745	(3,453)	6,292
60,651	(11,144)	49,507	Travel Concession	57,635	(12,879)	44,756
1,131	(594)	537	Policy	1,570	(879)	691
5,165	(177)	4,988	Corporate Management & Corporate Costs	4,973	(1,220)	3,753
11,171	(6,055)	5,116	Mersey Ferries Group	13,969	(9,076)	4,893
16,462	(15,814)	648	Mersey Tunnels	20,217	(19,433)	783
<b>309,914</b>	<b>(208,522)</b>	<b>101,392</b>	<b>Net Cost of Services</b>	<b>341,597</b>	<b>(250,157)</b>	<b>91,440</b>
	114		Other Operating Expenditure			123
	2,065		Financing and Investment Income			1,920
	(170,316)		Taxation and Non Specific Grant Income			(118,715)
	<b>(66,745)</b>		<b>(Surplus) or Deficit on the Provision of Services</b>			<b>(25,231)</b>
	(28,947)		Remeasurement (Gains)/Losses on Pension Assets/Liabilities			(91,876)
	0		Revaluation (Gains)/Losses on Non Current Assets			(6,927)
	<b>(28,947)</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>(98,803)</b>
	<b>(95,692)</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>(124,035)</b>

## 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 2022 £'000		As at 31 March 2023 £'000	Note
392,782	Property, Plant and Equipment	424,610	4
711	Heritage Assets	711	
4,144	Intangible Assets	4,022	5
0	Pension Asset	15,570	
<b>397,637</b>	<b>Long Term Assets</b>	<b>444,913</b>	
949	Inventories	1,014	
103,028	Short term Debtors	110,821	6
121	Cash and Cash Equivalents	138	
<b>104,098</b>	<b>Current Assets</b>	<b>111,973</b>	
(32,413)	Short term Creditors	(39,091)	7
(542)	Provisions	(558)	
(11,515)	Grant Receipts in Advance	(5,635)	
<b>(44,470)</b>	<b>Current Liabilities</b>	<b>(45,284)</b>	
(2,382)	Loan from Group Company	(2,187)	9
(966)	Provisions	(966)	
(69,501)	Pension Liability	0	
<b>(72,849)</b>	<b>Long term Liabilities</b>	<b>(3,153)</b>	
<b>384,416</b>	<b>Net Assets</b>	<b>508,449</b>	
(59,617)	Usable Reserves	(66,815)	1
(324,799)	Unusable Reserves	(441,634)	
<b>(384,416)</b>	<b>Total Reserves</b>	<b>(508,449)</b>	



Richard McGuckin  
Executive Director Place  
31 May 2023



John Fogarty (CPFA)  
Executive Director Corporate Services  
31 May 2023

## GROUP 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.

2021/22 £'000		2022/23 £'000	Note
<b>66,745</b>	<b>Net surplus on the provision of services</b>	<b>25,231</b>	
12,264	Adjustments to net surplus on the provision of services for non-cash movements	6,893	11
(77,619)	Adjustments to net surplus on the provision of services for items which are investing and financing activities	(31,871)	11
<b>1,390</b>	<b>Net cash inflows from Operating Activities</b>	<b>253</b>	
(1,303)	Investing activities	(236)	11
<b>87</b>	<b>Net increase in cash and cash equivalents</b>	<b>17</b>	
34	Cash and cash equivalents as at 1 April	121	
<b>121</b>	<b>Cash and cash equivalents as at 31 March</b>	<b>138</b>	

## 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 2022/23. Details of the Merseytravel Single Entity reserves are included in note 6 of the single entity accounts

	Balance 1 April 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance 31 March 2023 £'000
Merseytravel Single Entity Reserves	(58,715)	0	(713)	(59,428)	55	(6,704)	(66,077)
Subsidiary Reserves	(301)	111	0	(190)	0	(548)	(738)
<b>Total Usable Reserves</b>	<b>(59,016)</b>	<b>111</b>	<b>(713)</b>	<b>(59,617)</b>	<b>55</b>	<b>(7,252)</b>	<b>(66,815)</b>

### 2. Tax

Included within the Group CIES is estimated corporation tax payable on the Beatles Story profits of £161k (£60k corporation tax refund 2021/22).

### 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.

2021/22 £'000				2022/23 £'000		
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
21,724	1,483	23,207	Bus Services	19,102	1,554	20,656
8,482	1,443	9,925	Rail Services	6,473	3,144	9,616
6,927	537	7,464	Customer Delivery	5,766	526	6,292
49,507	0	49,507	Travel Concession	44,756	0	44,756
480	57	537	Policy	631	61	691
1,685	3,303	4,988	Corporate Management & Corporate Costs	423	3,330	3,753
3,115	2,001	5,116	Mersey Ferries	2,403	2,491	4,893
(1)	649	648	Mersey Tunnels	0	783	783
<b>91,919</b>	<b>9,473</b>	<b>101,392</b>	<b>Net Cost of Services</b>	<b>79,552</b>	<b>11,888</b>	<b>91,440</b>
(92,521)	(75,616)	(168,137)	Other Income and Expenditure	(86,752)	(29,920)	(116,672)
<b>(602)</b>	<b>(66,143)</b>	<b>(66,745)</b>	<b>Surplus or deficit</b>	<b>(7,198)</b>	<b>(18,032)</b>	<b>(25,231)</b>
(59,015)			Opening Balance 1 April	(59,617)		
(602)			Surplus in Year	(7,198)		
<b>(59,617)</b>			<b>Closing Reserves at 31 March</b>	<b>(66,815)</b>		



## Note to EFA 2022/23

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes	Net change for Pension Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Bus Services	1,186	368	0	1,554
Rail Services	2,949	195	0	3,144
Customer Delivery	20	506	0	526
Travel Concession	0	0	0	0
Policy	0	61	0	61
Corporate Management & Corporate Costs	888	2,572	(130)	3,330
Net Cost of Mersey Ferries	2,177	314	0	2,491
Mersey Tunnels	0	783	0	783
<b>Net Cost of Services</b>	<b>7,219</b>	<b>4,799</b>	<b>(130)</b>	<b>11,888</b>
Other Income & Expenditure from the Funding Analysis	(31,926)	2,006	0	(29,920)
<b>Difference between General Fund surplus or deficit and CIES surplus or deficit</b>	<b>(24,707)</b>	<b>6,805</b>	<b>(130)</b>	<b>(18,032)</b>

## Note to EFA 2021/22

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes	Net change for Pension Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Bus Services	1,173	311	0	1,483
Rail Services	1,260	183	0	1,443
Customer Delivery	0	537	0	537
Travel Concession	0	0	0	0
Policy	20	37	0	57
Corporate Management & Corporate Costs	893	2,410	0	3,303
Net Cost of Mersey Ferries	1,746	254	0	2,001
Mersey Tunnels	0	649	0	649
<b>Net Cost of Services</b>	<b>5,092</b>	<b>4,381</b>	<b>0</b>	<b>9,472</b>
Other Income & Expenditure from the Funding Analysis	(77,619)	2,003	0	(75,616)
<b>Difference between General Fund surplus or deficit and CIES surplus or deficit</b>	<b>(72,527)</b>	<b>6,384</b>	<b>0</b>	<b>(66,144)</b>

## Expenditure and Income Analysed by Type

2021/22 £'000		2022/23 £'000
	<b>Expenditure</b>	
36,249	Employee benefits expenses	37,203
278,449	Other service expenses	308,125
5,274	Depreciation, amortisation, impairment	7,428
135	Interest payments	127
<b>320,108</b>	<b>Total expenditure</b>	<b>352,882</b>
	<b>Income</b>	
(43,650)	Fees, charges and other service income	(63,360)
(343,203)	Government grants and contributions	(314,753)
<b>(386,853)</b>	<b>Total Income</b>	<b>(378,113)</b>
<b>(66,745)</b>	<b>(Surplus) or deficit on the Provision of Services</b>	<b>(25,231)</b>

#### 4. Property Plant and Equipment

##### Movement on Balances 2022/23

	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
<b>Cost or Valuation</b>									
As at 1 April 2022		17,021	70,574	80,010	3,098	1,254	209,206	381,164	
Additions	1,947	41	205	640	532	0	28,549	29,967	31,914
Revaluation inc/(dec) recognised in the Revaluation Reserve	0	(492)	14	0	0	0	0	(478)	(478)
Reclassification	0	0	0	28,992	0	0	(28,992)	0	0
Impairment	0	0	0	(45)	0	0	0	(45)	(45)
Disposals	0	0	0	(10)	0	0	0	(10)	(10)
<b>As at 31 March 2023</b>		<b>16,570</b>	<b>70,793</b>	<b>109,587</b>	<b>3,630</b>	<b>1,254</b>	<b>208,762</b>	<b>410,598</b>	
<b>Depreciation and Impairment</b>									
As at 1 April 2022		1,144	4,445	5,831	876	0	0	12,297	
Depreciation	1,343	583	1,960	2,770	311	0	0	5,624	6,967
Depreciation written out to the Revaluation Reserve	0	(1,726)	(5,679)	0	0	0	0	(7,405)	(7,405)
Disposals	0	0	0	(10)	0	0	0	(10)	(10)
<b>As at 31 March 2023</b>		<b>(0)</b>	<b>726</b>	<b>8,591</b>	<b>1,187</b>	<b>0</b>	<b>0</b>	<b>10,505</b>	
<b>Net Book Value</b>									
<b>As at 31 March 2023</b>	<b>24,518</b>	<b>16,570</b>	<b>70,067</b>	<b>100,996</b>	<b>2,443</b>	<b>1,254</b>	<b>208,762</b>	<b>400,092</b>	<b>424,610</b>
<b>As at 31 March 2022</b>	<b>23,915</b>	<b>15,878</b>	<b>66,129</b>	<b>74,179</b>	<b>2,222</b>	<b>1,254</b>	<b>209,206</b>	<b>368,868</b>	<b>392,782</b>

## 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
<b>Cost or Valuation</b>									
As at 1 April 2021		16,775	70,197	12,132	3,055	1,211	207,819	311,188	
Additions	6,940	246	377	284	43	43	68,981	69,974	76,914
Reclassification	0	0	0	67,594	0	0	(67,594)	0	0
<b>As at 31 March 2022</b>		<b>17,021</b>	<b>70,574</b>	<b>80,010</b>	<b>3,098</b>	<b>1,254</b>	<b>209,206</b>	<b>381,162</b>	
<b>Depreciation and Impairment</b>									
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
<b>As at 31 March 2022</b>		<b>1,144</b>	<b>4,445</b>	<b>5,831</b>	<b>876</b>	<b>0</b>	<b>0</b>	<b>12,297</b>	
<b>Net Book Value</b>									
<b>As at 31 March 2022</b>	<b>23,915</b>	<b>15,878</b>	<b>66,129</b>	<b>74,179</b>	<b>2,222</b>	<b>1,254</b>	<b>209,206</b>	<b>368,866</b>	<b>392,782</b>
<b>As at 31 March 2021</b>	<b>18,203</b>	<b>16,203</b>	<b>67,698</b>	<b>7,085</b>	<b>2,485</b>	<b>1,211</b>	<b>207,819</b>	<b>302,501</b>	<b>320,705</b>

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

2021/22 £'000				2022/23 £'000		
Goodwill on Consolidation	Licences	Total		Goodwill on Consolidation	Licences	Total
			<b>Cost or valuation:</b>			
			<b>Opening balance:</b>			
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)
<b>1,695</b>	<b>2,078</b>	<b>3,773</b>	<b>Opening net carrying amount</b>	<b>1,695</b>	<b>2,450</b>	<b>4,145</b>
0	709	709	Additions	0	193	193
0	(337)	(337)	Amortisation	0	(316)	(316)
<b>1,695</b>	<b>2,449</b>	<b>4,144</b>	<b>Net carrying amount at end of year</b>	<b>1,695</b>	<b>2,327</b>	<b>4,022</b>
			<b>Comprising:</b>			
2,803	3,989	6,792	Gross carrying amount	2,803	4,182	6,985
(1,108)	(1,539)	(2,647)	Accumulated amortisation	(1,108)	(1,855)	(2,963)
<b>1,695</b>	<b>2,449</b>	<b>4,144</b>		<b>1,695</b>	<b>2,327</b>	<b>4,022</b>

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 2023. 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 future forecasts.

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 2022/23.

## 6. Short Term Debtors

2021/22 £'000		2022/23 £'000
2,233	Trade Receivables	2,613
2,850	Prepayments	1,134
97,944	Other Receivable Amounts	107,074
<b>103,028</b>	<b>Balance as at 31 March</b>	<b>110,821</b>

## 7. Short Term Creditors

2021/22 £'000		2022/23 £'000
(2,100)	Trade Payables	(2,554)
(30,313)	Other Payables	(36,537)
<b>(32,413)</b>	<b>Balance as at 31 March</b>	<b>(39,091)</b>

## 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:

2021/22 £'000		2022/23 £'000
7,981	Not later than one year	5,998
395	Between one and five years	205
0	Over five years	0
<b>8,376</b>	<b>Total</b>	<b>6,203</b>

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 Trains 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:

2021/22 £'000		2022/23 £'000
(8,127)	Not later than one year	(13,384)
(967)	Between one and five years	(96,373)
(525)	Over five years	(8,251)
<b>(9,619)</b>	<b>Total</b>	<b>(118,008)</b>

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

2021/22 £'000		2022/23 £'000
(2,382)	Long Term Loan from Group Company	(2,187)
<b>(2,382)</b>	<b>Total</b>	<b>(2,187)</b>

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 2022/23 were £186k (£178k 2021/22).

## 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:

2021/22 £'000		2022/23 £'000
5,174	Depreciation amortisation and revaluation losses	7,328
233	Increase/(decrease) in creditors, provisions	618
433	(Increase)/decrease in debtors	(7,793)
40	(Increase)/decrease in inventories	(65)
6,384	Pension movements	6,805
<b>12,264</b>	<b>Total</b>	<b>6,893</b>

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

2021/22 £'000		2022/23 £'000
(77,619)	Grants received for the financing of capital expenditure	(31,871)
<b>(77,619)</b>	<b>Total</b>	<b>(31,871)</b>

### Cash Flow Statement Investing Activities

2021/22 £'000		2022/23 £'000
(75,767)	Purchase of property, plant and equipment and intangible assets	(32,107)
74,464	Other (purchases)/receipts from investing activities	31,871
<b>(1,303)</b>	<b>Total</b>	<b>(236)</b>

## 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 on 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.