



Merseytravel Statement of Accounts 2019/20



**LIVERPOOL
CITY REGION**
COMBINED AUTHORITY



METRO MAYOR
LIVERPOOL CITY REGION

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NARRATIVE REPORT BY THE DIRECTOR OF RESOURCES

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 2020. 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 2019/20.

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 Resources for the production and content of the Annual Statement of Accounts.

Annual Governance Statement

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

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement (CIES)

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

Balance Sheet

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

Cash Flow Statement

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

Notes to the Financial Statements

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

Group Accounts

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

Financial Performance

Revenue Expenditure 2019/20

Merseytravel's budget was approved in February 2019 and a levy of £95.4m was agreed for 2019/20. The grant to Merseytravel to support its provision of transport functions was set at £93.9m and a separate grant of £23.7m approved to support the operation of the Mersey Tunnels. The table below compares the actual spend against budget for 2019/20:

	Revised Budget 2019/20 £'000	Outturn 2019/20 £'000	Variance to Budget 2019/20 £'000
Bus Services	20,564	19,751	813
Rail Services	3,959	4,057	(98)
Rolling Stock	12,401	6,026	6,375
Customer Delivery	7,276	6,136	1,140
Concessionary Travel	53,126	51,654	1,472
Corporate Management	2,425	2,566	(141)
Policy	692	582	110
People and Customer Development	0	1	(1)
Mersey Ferries Group	1,688	198	1,490
Corporate Costs	5,443	4,933	510
IT	0	(339)	(339)
Resources	0	(90)	(90)
Asset Management	0	(478)	(478)
Mersey Tunnels	23,658	19,957	3,701
Net Spend	131,232	114,954	16,278
Funded by:			
Merseytravel Grant from CA	(90,692)	(90,692)	0
Mersey Tunnels Grant	(23,658)	(19,957)	(3,701)
Application of Reserves	(16,882)	(6,026)	(10,856)
Total Income	(131,232)	(116,675)	(14,557)
Net Transfer (to)/ from Reserves	0	(1,721)	1,721

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.

	2018/19 £'000	In Year Movement £'000	2019/20 £'000
Capital Reserves	0	17	17
Working Balances	2,563	656	3,219
Earmarked Usable Reserves	53,509	1,786	55,295
Total	56,072	2,459	58,531

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

Capital Expenditure 2019/20

Merseytravel spent £90.978m on capital during 2019/20. This expenditure is summarised below.

	2018/19 £'000	2019/20 £'000
Revenue Expenditure funded from Capital under Statute	51,644	51,945
Non-Current Assets (Property Plant and Equipment)	6,826	1,774
Assets under Construction	82,383	36,226
Intangible Assets	116	456
Non-Current Assets (Infrastructure)	439	577
Total	141,408	90,978

The table below details the funding of the capital programme.

	2018/19 £'000	2019/20 £'000
Capital Grants	132,934	90,978
Application of Reserves	8,474	0
Total	141,408	90,978

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 2019/20.

	£'000
Rolling Stock	43,461
Bus - interventions on network	1,547
Rail – interventions on network	3,709
Key Route Network	2,579

2019/20 Performance and Delivery of Objectives

Principal Activities

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

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

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

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

For the period 2018- 2020 the decision was taken to adopt a single Corporate Plan for both the Combined Authority and Merseytravel. This decision provided a single overarching strategic vision for both organisations and a composite framework in which to ensure a consistent and joined up approach to achieving the Combined Authority's overall objectives. The Corporate Plan was based on eight priorities, with each Priority underpinned by a vision statement, key objectives and activities:

- Priority One: A dynamic, prosperous, inclusive economy which benefits every part of the city region;
- Priority Two: Jobs, skills and career opportunities for all;
- Priority Three: A high speed digital network that connects the whole region to the world;
- Priority Four: A transport network that connects people, goods and business;
- Priority Five: Good quality and affordable housing;
- Priority Six: A greener and cleaner place to live;
- Priority Seven: A world class culture and visitor experience; and
- Priority Eight: More decisions taken locally.

As the delivery arm for the Combined Authority, Merseytravel plays a vital role in the achievement of the Authority's objectives, specifically Priority Four. The table below details the key objectives and headline activities in respect of Priority Four to be achieved.

Key Objectives	Headline Activities
<ol style="list-style-type: none"> 1. Invest in public transport and improve cycling and walking opportunities 2. Tackle poor air quality across the city region 3. Make it easier to use our transport network and support a reduction in car trips in particular 4. Make transport more affordable, initially looking at options relating to apprentices aged 19 – 24 5. Ensure new regulatory powers over buses are tested fully and maximised to create a bus network that works for all residents 6. Secure a new faster Liverpool to Manchester rail line and a new HS2/NPR station in Liverpool 7. Clearly articulate our vision for transport across the LCR, including recognising the importance of existing hubs and connections to effectively guide the commissioning of activities and allocation of funds 8. Work with Transport for the North and its partners, to maximise opportunities to improve inter-city connectivity and freight capacity across the North 	<p>Invest £134m over the next four years in public transport and improving cycling and walking facilities including through the Transforming Cities Fund</p> <p>Produce an Air Quality Action Plan for the city region that maximises the Combined Authority's funding and policy responsibilities in order to support the reduction of harmful emissions from transport</p> <p>Invest in Smart Ticketing, supported by a comprehensive review of our ticketing products</p> <p>Introduce a price discount for apprentices aged 19 - 24</p> <p>Produce a Key Route Network of the city region's most important roads and develop action plans and priorities for the Key Route Network of LCR's most important roads, and tools that support an enhanced bus and local rail offer</p> <p>Produce a Mayoral Transport Plan that sets out our vision and delivery plans for transport; and supports our Local Industrial Strategy, Spatial Development Strategy and priorities for a cleaner, healthier & more inclusive LCR</p> <p>Work up the case for increased investment in cross Northern connectivity including the opportunities related to freight to deliver out long term Rail Strategy</p> <p>Ensure strategic linkages and create relevant Transport content to support development of the LCR Spatial Development Strategy</p>

Merseytravel has developed a performance management framework which is driven by its key priorities for 2019/20. A focused set of performance indicators have been developed to measure progress against key priorities and objectives. Where possible, targets are set which are challenging and aimed at stretching the organisation to drive improvement. Updates are collected and reported on a quarterly basis to the Delivery Panel. A RAG system is applied that is slightly more sophisticated than a regular three level system to facilitate managing the delivery of the activities/priorities which is shown below.

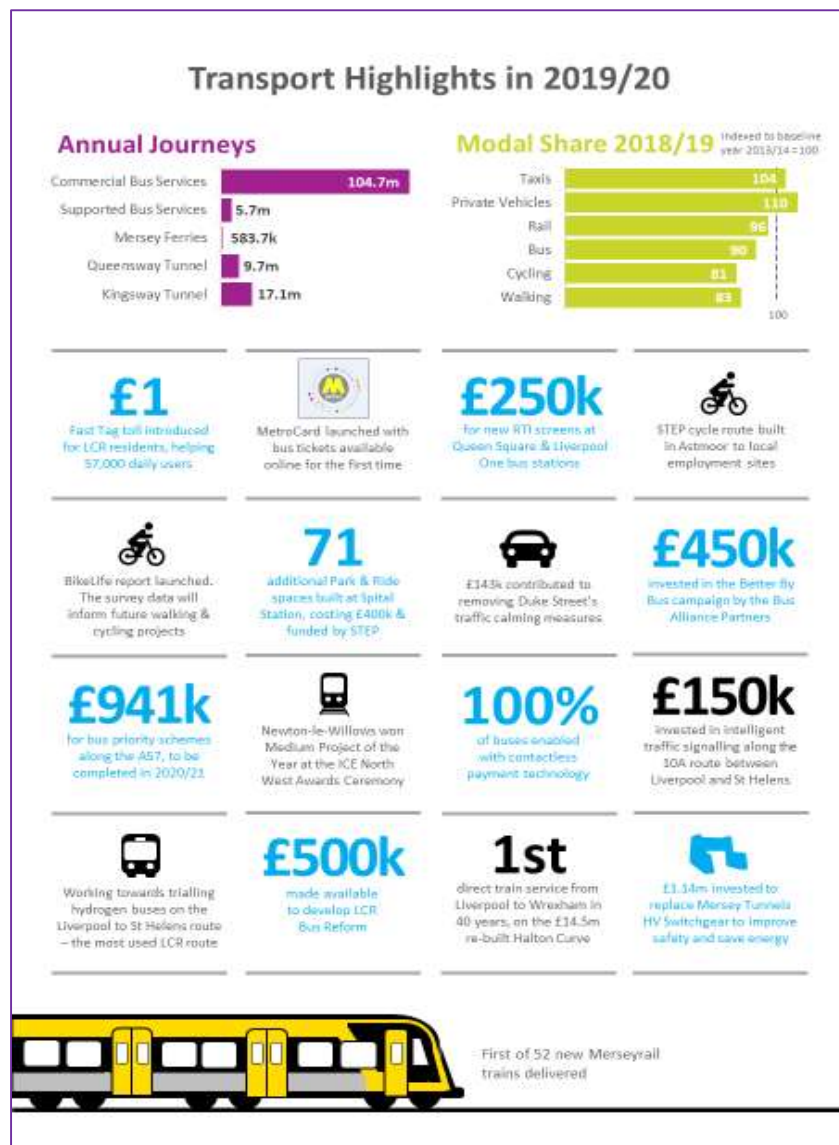
RED	Highly Problematic – Delivery at significant risk OR abandoned
AMBER / RED	Problematic – Delivery at risk but not significant
AMBER / GREEN	Manageable – Delivery at marginal risk
GREEN	Well Managed – No risk to delivery OR complete
Not Started	Not started or Support not requested – No expected risk to delivery

2019/20 Outturn Performance

The table below details performance against transport key objectives detailed above.

Transport Priorities	Q4 RAG Rating
1. Invest in public transport and improve cycling and walking opportunities.	Amber/ Green
2. Tackle poor air quality across the city region.	Amber/ Green
3. Make it easier to use our transport network and support a reduction in car trips in particular.	Amber/ Green
4. Make transport more affordable, initially looking at options relating to apprentices aged 19 – 24.	Green
5. Ensure new regulatory powers over buses are tested fully and maximised to create a bus network that works for all residents.	Amber/ Green
6. Secure a new faster Liverpool to Manchester rail line and a new HS2/NPR station in Liverpool.	Amber/ Green
7. Clearly articulate our vision for transport across the LCR, including recognising the importance of existing hubs and connections to effectively guide the commissioning of activities and allocation of funds.	Amber/ Green
8. Work with Transport for the North and its partners, to maximise opportunities to improve inter-city connectivity and freight capacity across the North.	Amber/ Green

The infographic below details some of the key transport highlights for 2019/20.



The Impact of COVID-19

With effect from mid March, Merseytravel's activities have been impacted by the onset of the COVID-19 pandemic. As a result of the pandemic, the organisation closed its offices on 23 March in response to the government's lockdown, implementing its business continuity plans and adjusting certain operating procedures to allow effective remote functionality. In addition decisions were taken to cease certain other operations: the Beatles Story was closed with effect from 18 March until further notice, the Mersey Ferries were suspended between 30 March and 14 May and the majority of customer facing staff were removed from the Mersey Tunnels operations with effect from 23 March, however Tunnels Police patrol operations continued throughout the period. At the same time as the manning of tunnels operations were ceased, the Metro Mayor suspended all tunnel tolls.

All staff with the capability to work from home did so with immediate effect, where this was not possible other staff were temporarily stood down so that only those providing business critical services that were unable to operate remotely were retained on site. A decision was taken in April to furlough a number of staff employed by the Beatles Story.

Since the lockdown a huge body of work has been undertaken to ensure that all staff with the capability to work remotely have been supported to do so. A very limited number of staff have remained in the head office supporting key services, however this has been on average less than 20 a day. In addition to the office based staff, operational staff have continued to support the operation of the transport networks and worked closely with transport providers to ensure that the transport network continued to operate and keep staff and passengers safe.

The city region's immediate response to the pandemic has largely been through its support for the transport network and ensuring that key workers could continue to access employment by public transport and through the Mersey Tunnels.

The pandemic has seen a near collapse in patronage on public transport which has had a major impact on the operational viability of the key bus and rail transport providers. Merseytravel has been working closely with operators and government to maintain a viable public transport network and provide funding to support continued operator viability.

To assist transport providers and other suppliers to ensure service continuity Merseytravel has applied the government issued Procurement Policy Notes (PPN's). Practically speaking this has meant paying for supported bus services and concessionary travel on profile at pre COVID-19 levels taking no accounts of service levels.

The impact of COVID-19 on the Merseytravel's finances for 2020/21 and onwards will be significant and are inextricably linked with those of the Combined Authority. During April and May, income losses from transport related services and tunnel toll income was approximately £5m per month. Whilst the reintroduction of tunnels tolls and recommencement of ferry services have seen certain services recommence, levels of patronage across the public transport network remains low and flow through the tunnels is below normal levels with a consequential impact on income generation. In conjunction with the Combined Authority, Merseytravel is currently assessing the impact of the current situation on its financial position for 2020/21.

Whilst Merseytravel is predominantly funded by grant from the Combined Authority, the loss of income from tunnel tolls, ferries and the Beatles Story are likely to negatively impact upon the overall budgetary position of the organisation. The additional complexity here is that there are overall pressures at the Combined Authority level and in considering the requirement to produce a balanced budget, there is a risk that the overall quantum of the funding agreed to Merseytravel for the provision of services could be subject to further adjustment. A revised budget will be created over the forthcoming months in conjunction with the Combined Authority.

Discussions with government are ongoing over support for the Authority and whilst some support has been provided towards the cost of bus operations through the Department for Transport, at this juncture no additional funding has been provided to the Authority towards its additional costs and losses. To the extent that no funding is forthcoming, there will need to be an additional reliance placed on the utilisation of reserves to bridge the budget gap. A body of work has been undertaken to forecast through the impact of a reduced cashflow on the organisation's operations and any consequential borrowing requirements. Based on the current estimates the Authority's cashflow remains robust and positive for the year however this will be monitored during the year.

Risks and Uncertainties

It is evident that the impact of COVID-19 on the Liverpool City Region will have significant and long-lasting implications and many of the risks and uncertainties that both the Combined Authority and Merseytravel now faces for the next twelve months will be influenced by or as a direct consequence of the pandemic.

The implications for transport activities are severe and potentially far reaching. The near-collapse in public transport revenues has significant implications for bus and train operators and maintaining socially necessary services against a background of operator failure is a high risk. The Merseyrail network is a particular risk as Merseytravel is the operator of last resort and would need to step in and directly manage the network should Merseyrail be unable to continue due to liquidity issues. Whilst the organisation is working closely with the Department for Transport to manage this risk, there remains a financial risk to Merseytravel should no agreement be forthcoming with DfT or if insufficient funding is provided to Merseyrail.

The city region's bus network has continued to operate during the COVID-19 crisis but significant risks remain around service delivery. The financial support given to operators by both Merseytravel and central government has ensured that no operator has gone out of business and that services have kept running and been ramped up as we exit lockdown. However, the piecemeal and short term nature of this funding gives a lack of confidence that services can be sustained in the medium and long term. Without more revenue support for local bus services from government, it is likely that services will be reduced. This is magnified as capacity is reduced through the requirements of social distancing. In addition, early indications suggest the potential for significant increases in contract costs.

The rolling stock project has also been significantly affected by COVID-19 both in terms of direct delivery and in terms of funding. Manufacturing in Poland, Switzerland and Spain was halted due to the pandemic and driver training has also been affected. This will cause delays to getting trains in service meaning that the existing fleet will need to be retained for longer. More significantly, the business case for new rolling stock was heavily based on increased patronage and there is a risk that if current patterns of travel persist that this growth will not materialise. The financial risks emanating from this situation cannot be underestimated: failure to increase patronage will undermine the affordability case on which the investment was made, as will the increases in capital and revenue costs arising from the delay.

Future Developments

Building on the achievements of the past year and in response to the challenges posed by COVID-19, the Combined Authority has developed a one year business plan which builds on the Authority's aim of recovering and transforming together to deliver a clean, comparative and inclusive city region. The plan sets out a series of ambitious targets for delivery for the next financial year, building on the challenges and opportunities presented by the current pandemic to build back better. Transport plays a pivotal role in the Combined Authority and Merseytravel's plans for the recovery and the plan's second priority is restoring the transport network.

Key deliverables for the year include:

- Develop and implement an Integrated Transport Recovery plan that balances service requirements, economic recovery and budget constraints;
- Continue to implement the LCR rolling stock fleet replacement programme;

- Implement the Transforming Cities Fund programme with necessary changes to assure delivery;
- Commission rail, bus and ferry infrastructure / modification projects;
- Examine options to use powers under the Bus Services Act to respond to COVID-19 and deliver the LCR recovery plans;
- Continue work towards completing the options assessment under the Bus Services Act, recognising that COVID-19 has fundamentally changed finances within the bus industry and accelerated factors identified in the case for change;
- Implement key interventions set out in the LCR Ferries Strategy;
- Implement a Liverpool City Centre bus re-routing plan in response to Liverpool City Council's City Centre Connectivity scheme;
- Develop and implement LCR key route network action plan;
- Deliver the Sustainable Transport Enhancement Programme and implement the Local Cycling and Walking Infrastructure Plan;
- Implement a Liverpool City Region smart ticketing programme working towards a long-term goal of a tap and go system with a daily/weekly fare cap; and
- Complete outline business case for Liverpool Central Station improvements.

The Corporate Plan details key outcome measures and impact indicators that will be used to assess performance and delivery of key priorities during the financial year.



J Fogarty (CPFA)
Director of Resources
 17 December 2020

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 Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Responsibilities of the Director of Resources

The Director of Resources 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 2020. In preparing this statement of accounts, the Director of Resources has:

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

The Director of Resources 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 2020 and its income and expenditure for the year ended 31 March 2020.

A handwritten signature in blue ink, appearing to read 'J Fogarty', with a large circular flourish at the bottom.

J Fogarty (CPFA)
Director of Resources
17 December 2020

ANNUAL GOVERNANCE STATEMENT

1. Introduction

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

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

The definition utilised by the CIPFA/SOLACE guidance states:

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

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

The governance framework has been in place at Merseytravel for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

The impact of the COVID-19 pandemic has meant that a change was made to the publication timescale of this Statement, as part of the Statement of Accounts document. The Accounts and Audit (Amendment) Regulations 2020 provided for a revised publication timescale of the draft accounts by 31 August 2020, and the final accounts of 30 November 2020.

2. Scope of Responsibilities

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 which includes arrangements for the management of risk.

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

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

3. Purpose of the Governance Framework

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

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

4. Overall Governance Framework

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

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

The Liverpool City Region 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.

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

The Combined Authority sets the transport levy and approves the grant to be passed through to Merseytravel to support the operation of its transport activities. Merseytravel board approves the operational budget for Merseytravel and is responsible for key transport strategy. Merseytravel is responsible for the implementation of the policies of the Combined Authority and, under the Transport Act of 1968, retains its status as a distinct statutory body.

Despite its separate statutory status, for all practical purposes, there is no longer a distinction between the Combined Authority and Merseytravel. Directors of the Combined Authority are also Directors of Merseytravel and vice-versa. The statutory functions of Head of Paid Service, Monitoring Officer and Treasurer are fulfilled on a joint basis between the two organisations.

The Merseytravel Board comprises the Director General (Head of Paid Service), the Director of Resources, and the Director of Corporate Development and Delivery, appointed in accordance with the Transport Act 1968, Part 2, Section 9(2).

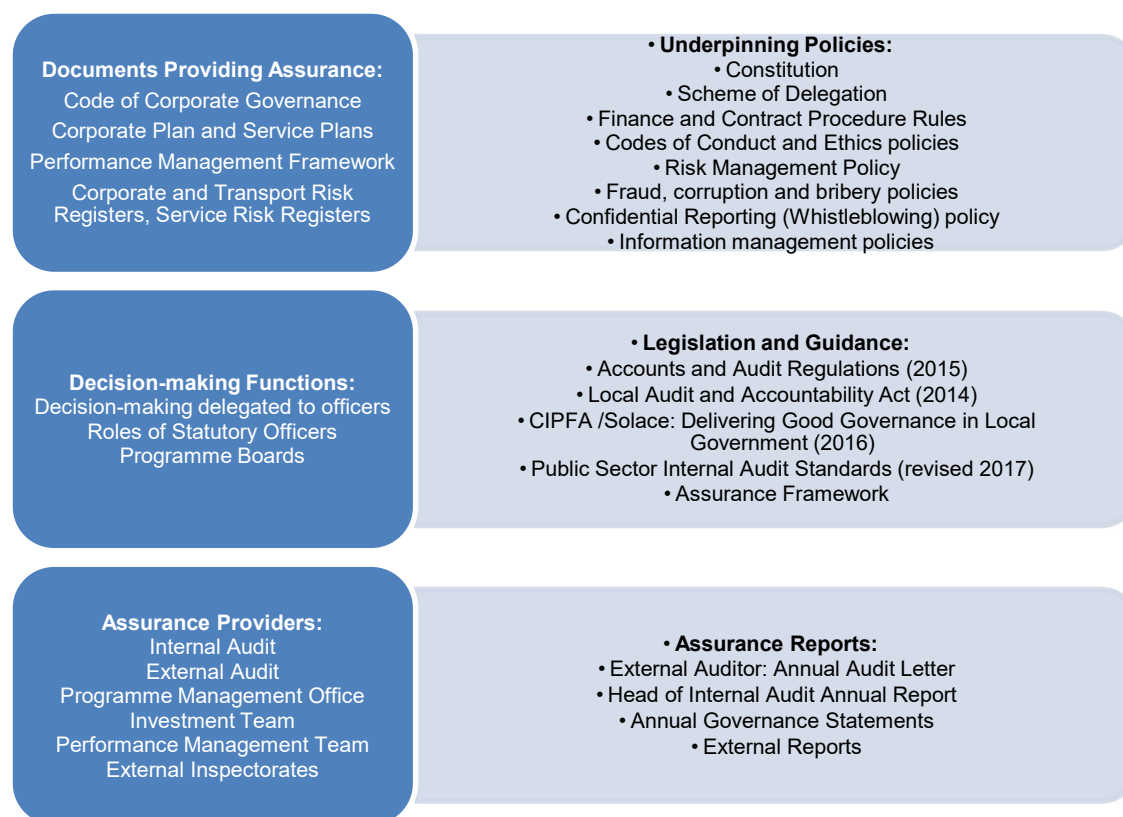
The Act requires members of the Merseytravel Board to be appointed by the Liverpool City Region Combined Authority after consultation with the Director General.

In light of the COVID-19 situation and to enable Merseytravel to continue to ensure continuity of decisions; resilience; and pursue the Combined Authority's objectives; the Director General proposed the following officers be appointed to the Board:

- Director of Commercial Development and Investment
- Assistant Director for Customer Delivery
- Interim Director of Integrated Transport
- Assistant Director of Policy and Strategic Commissioning

These appointments were approved by Liverpool City Region Combined Authority on 20 March 2020, with effect from 1 April 2020 for a period of 6 months.

Documents Providing Assurance:



5. Review of Effectiveness

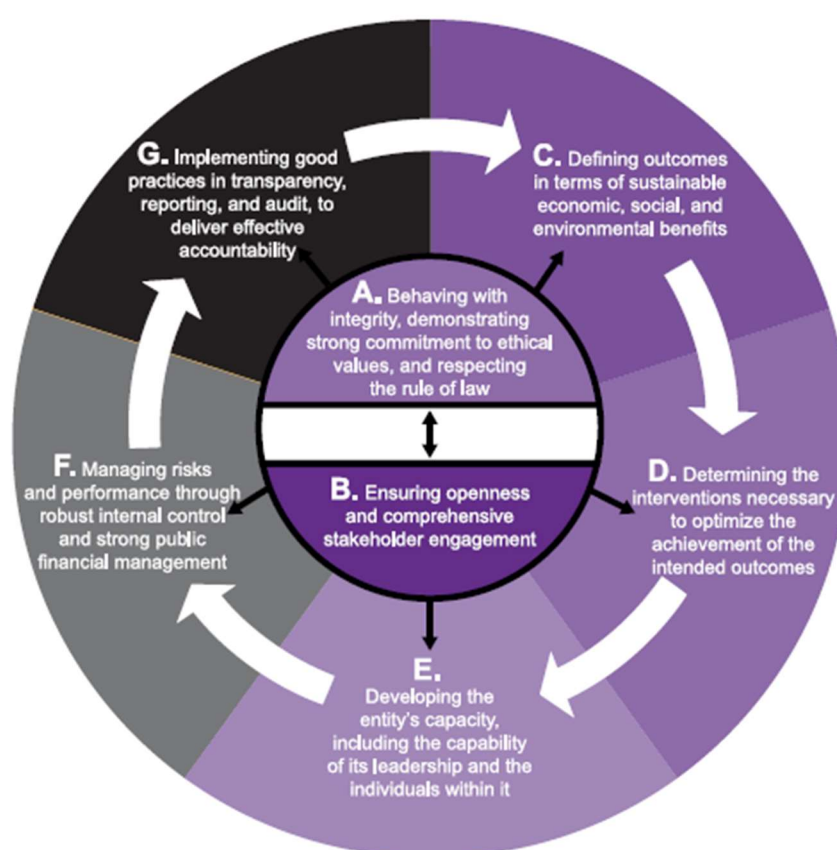
Merseytravel has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by Directors, Assistant Directors and Heads of Service within the organisation who have responsibility for the development and maintenance of the governance environment (including feedback and comments from the annual Governance Assurance Statement process; through which all relevant officers contributed); the Head of

Internal Audit's Annual Report; and also by comments made by the external auditors and other review agencies and inspectorates.

The review of the organisation's governance arrangements was largely complete at the time of the outbreak of COVID-19 in the United Kingdom, but following this development and the publication of guidance by CIPFA on the impact of the pandemic on the Annual Governance Statement, additional work has been undertaken so as to ensure that the impact for the organisation can be properly reflected, chiefly in relation to the challenges this will pose for 2020/21.

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

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



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

<p>A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law</p>
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<p>Merseytravel's constitutional arrangements and associated codes of conduct were reviewed and refreshed in 2019/20 and these principles are reflected in our constitutional arrangements.</p>

There is a comprehensive policy framework and a Code of Corporate Governance, which was reviewed in 2018/19 and is available on the as part of the Merseytravel Constitution.

In order to ensure compliance with policies and adherence to strong principles of Corporate Governance, a corporate induction programme and staff handbook was introduced in 2019/20.

Significant work has also been undertaken to ensure that staff are aware of corporate standards of behaviour and around personal development and change.

Cultural architects and change catalysts in place to support this work.

B. Ensuring openness and comprehensive stakeholder engagement

Stakeholder engagement remains a key priority of Merseytravel and significant investment has been made in this area during 2019/20.

This investment has enabled the Merseytravel to focus on effective engagement and collaboration with residents, businesses and other partners about what the Merseytravel does and how it benefits the local area.

There has been extensive public and stakeholder engagement in respect of service changes to bus routes throughout the year and more formal arrangements remain in place with respect to bus operators through the bus alliance.

Formal arrangements are also in place with our key rail concession holder Merseyrail Electrics Limited who operate the devolved Merseyrail network on behalf of the Combined Authority and overseen by Merseytravel.

A key challenge for 2020/21 will be to ensure continued consultation and engagement with stakeholders is maintained as our key strategies and interventions change to reflect the impact of COVID-19 on the City Region.

This is a significant priority for Merseytravel as rebuilding confidence in the public transport network will be of the utmost importance in promoting a safer, cleaner and greener recovery.

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

Merseytravel shares the Combined Authority's vision for economic growth that was revised and approved this year, through the Growth Strategy and will be built upon in the Local Industrial Strategy.

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

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

Integration of evidence and policy teams has allowed better evidential decisions, and integration of decision-making and forward planning across policy teams.

The development of our Local Industrial Strategy will allow the SIF investment strategy – which includes significant investment in transport through the Transforming Cities Fund - to focus on outcomes and benefits from our investment activities.

A key issue for 2020/21 will be the need to understand the impact of COVID-19 on the City Region Economy and ensure that our approach to policy and our investment strategy reflects this changed environment.

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

2019/20 was designated as the year of delivery by the Metro Mayor and significant organisational change has been introduced to ensure that the organisation is focussed on delivery across the range of its activities.

These revised arrangements include new responsibilities for delivery at director level and significant investment in project and programme management capacity and skills.

2019/20 saw the arrival of the first of the new fleet of trains for the Merseyrail Network and the opening of new depot facilities as part of a £500m investment in the network funded by the Combined Authority.

Completion of the new fleet programme in 2020/21 will bring significant economic, social and environmental benefits for the City Region.

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

At all stages our data and analytic team are capturing outputs and measuring benefits and we are subject to annual review by government.

A key challenge for 2020/21 will clearly be managing the impact of COVID-19 on delivery and outcomes.

E. Developing Capacity and Capability

As part of the Liverpool City Region Combined Authority, Merseytravel has benefitted from additional capacity and capability in 2019/20.

The budget provided for significant investment in transport pipeline development to augment the existing programme of investment through Transforming Cities Fund.

This has included providing in-house specialist resources for transport modelling and economic modelling that will greatly reduce our dependence on external consultants and speed up the delivery of key transport schemes.

Specific areas where capacity and capability have also improved general programme and project management, management of the key route network, and stakeholder management.

The organisation is now much better placed to ensure that it can deliver across the range of its devolved responsibilities.

Having a credible pipeline of deliverable schemes and the organisational capacity to deliver will be critical as the Merseytravel and the Combined Authority lead the City Region's economic recovery after the disruption of the COVID-19 pandemic.

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

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

A new post of Risk Manager was established in 2019/20 as part of a review which formalised risk management at the Combined Authority and Merseytravel as part of the role of its Head of Internal Audit. Responsibility for insurance was also transferred as part of this review.

Standards of internal financial control are high and revisions to budget monitoring arrangements through the Agresso financial ledger system have strengthened this are in 2019/20.

Fraud Awareness training has been developed as an e-learning package and was launched early in the year while Fraud Awareness Week was held November 2019.

An appropriate Anti-Fraud, Bribery and Corruption Policy is in place alongside supporting policies, including in respect of whistleblowing.

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

The arrangements put in place in March 2020 as a result of COVID-19 tested our business continuity arrangements to an unprecedented scale. The robustness of these arrangements was demonstrated by the organisation's ability to switch to remote working successfully and at relatively short notice.

More broadly, Merseytravel was able to maintain its key transport and other services throughout this period and has worked closely with transport providers and with government to inform transport recovery at a national as well as local level.

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

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

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

Merseytravel's Audit and Risk Board met at key stages within the 2019/20 reporting cycle. The composition of this Board has been reviewed and the number and proportion of independent members on that Board has increased.

Transparency Code data is published for Merseytravel for 2019/20.

Heads of Service have responsibility for ensuring data on website and intranet is accurate and up to date.

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

The Head of Internal Audit opinion 2019/20 with respect to Merseytravel is adequate with reasonable capacity for improvement.

6. Evaluation/Update - Significant Governance Issues from AGS 2018/19

The following table highlights the Significant Governance Issues included in the AGS last year. It has been assessed that each is no longer considered as a Significant Governance Issue. Where appropriate, further details are included within the Review of Effectiveness (Section 5).

Significant Governance Issues from AGS 2018/19
To ensure that the Mayor's Transport Plan is consistent with the overall aims and objectives of the Local Industrial Strategy.
To make best use of the powers within the Bus Services Act to maintain and enhance the economic, social and environmental benefits of bus transport for the City Region.
To ensure that Air Quality issues are reflected in transport strategy and delivery.
To effectively manage the Programme of activities necessary for the introduction of new rolling stock for the Merseyrail Network in 2019/20 and 2020/21.
Merseytravel will need to maintain capacity and capability against a background of financial risk in 2019/20.
Merseytravel needs to keep its risk management under continual review.

7. 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 Challenges

The impact of COVID-19 on the Liverpool City Region will have significant and long-lasting implications for Merseytravel.

The pandemic presents a number of key risks around the financial consequences for transport within the Combined Authority and to our local authorities, and to the City Region more widely. It will be more important than ever to ensure that the organisation's governance remains appropriate so as to facilitate effective responses to these challenges.

9. Conclusion

Merseytravel is satisfied that appropriate governance arrangements are in place and that the governance arrangements in place in 2019/20 were appropriate to its resources and responsibilities in that year.

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

The arrangements in place in 2019/20 focussed on ensuring that capacity and resources were put in place to support the wider CA functions while maintaining effective governance and delivery around Merseytravel's core activities.

COVID-19 tested our resilience and business continuity arrangements during 2019/20 and it is pleasing that these arrangements enable our key services to be maintained throughout. Nonetheless, the implications of COVID-19 on the City Region's economy and on public transport will be profound.

10. Certification



Frank Rogers
Chief Executive and Director General



John Fogarty
Director of Resources

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

Frank Rogers
Chief Executive & Director General

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

John Fogarty (CPFA)
Director of Resources

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERSEYTRAVEL

Report on the financial statements

Opinion

We have audited the financial statements of Merseytravel and its subsidiaries ('the Group') for the year ended 31 March 2020, which comprise the Merseytravel and Group Movement in Reserves Statements, the Merseytravel and Group Comprehensive Income and Expenditure Statements, the Merseytravel and Group Balance Sheets, the Merseytravel and Group Cash Flow Statements, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Merseytravel and the Group as at 31st March 2020 and of Merseytravel's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

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

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of property, plant and equipment and pension fund property assets

We draw attention to note 3 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of Merseytravel's property, plant and equipment and the valuation of the organisation's share of Merseyside Pension Fund's property assets. As disclosed in note 3 of the financial statements, Merseytravel's and the Pension Fund's valuers included a 'material valuation uncertainty' declaration within their reports as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Director of Resources for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Director of Resources is also responsible for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial

statements on a going concern basis, unless Merseytravel is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Resources is responsible for assessing each year whether or not it is appropriate for Merseytravel and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

Matters on which we are required to report by exception under the Code of Audit Practice

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

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

We have nothing to report in these respects.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Merseytravel has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether Merseytravel had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether Merseytravel put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

Responsibilities of Merseytravel

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

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

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

Use of the audit report

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

Certificate

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



Mark Dalton
For and on behalf of Mazars LLP

5th Floor
3 Wellington Place
Leeds
LS1 4AP

18 December 2020

MERSEYTRAVEL SINGLE ENTITY ACCOUNTS

MOVEMENT IN RESERVES STATEMENT

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

	Usable Reserves (General Fund Balance)	Unusable Reserves	Total Reserves
	£'000	£'000	£'000
Balance as at 31 March 2018	62,778	131,598	194,376
Movement in Reserves during 2018/19			
Total Comprehensive Income and Expenditure	29,848	(11,013)	18,835
Adjustments between accounting basis and funding basis under regulations (note 4)	(37,937)	37,937	0
Increase/(Decrease) in 2018/19	(8,089)	26,924	18,835
Balance as at 31 March 2019 carried forward	54,688	158,522	213,210
Movement in Reserves during 2019/20			
Total Comprehensive Income and Expenditure	27,034	25,145	52,179
Adjustments between accounting basis and funding basis under regulations (note 4)	(24,631)	24,631	0
Increase/(Decrease) in 2019/20	2,403	49,776	52,179
Balance as at 31 March 2020 carried forward	57,091	208,297	265,388

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

Notes	2018/19				2019/20		
	Gross Expenditure £'000	Gross Income £'000	Net Spend £'000		Gross Expenditure £'000	Gross Income £'000	Net Spend £'000
	27,261	(7,155)	20,106	Bus Services	31,354	(8,333)	23,021
	193,234	(138,519)	54,715	Rail Services	157,485	(153,932)	3,553
	9,404	(2,196)	7,208	Customer Delivery	10,243	(2,681)	7,563
	70,258	(16,944)	53,314	Travel Concession	73,388	(21,724)	51,664
	6,412	(4,017)	2,395	Policy	4,041	(3,295)	746
	4,256	(645)	3,610	People and Customer Development	0	0	0
	3,692	(6,165)	(2,473)	Corporate Management and other Corporate Costs	10,207	(814)	9,393
	6,260	0	6,260	Net Cost of Mersey Ferries	3,617	0	3,617
	15,815	(15,032)	783	Mersey Tunnels	14,990	(14,256)	734
	336,592	(190,673)	145,917	Net Cost of Service	305,325	(205,035)	100,290
7			110	Other Operating Expenditure			113
8			2,065	Financing and Investment Income			2,286
10			(177,940)	Taxation and Non Specific Grant Income			(129,723)
			(29,848)	(Surplus) or Deficit on the Provision of Services			(27,034)
			7,644	Remeasurement Gains/ Losses on Pension Assets/ Liabilities			(20,871)
			3,369	(Surplus)/Deficit on Revaluation Non Current Assets			(4,274)
			11,013	Other Comprehensive Income and Expenditure			(25,145)
			(18,835)	Total Comprehensive Income and Expenditure			(52,179)

BALANCE SHEET

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

As at 31 March 2019 £'000		As at 31 March 2020 £'000	Note
254,437	Property, Plant and Equipment	291,114	17
326	Heritage Assets	326	
986	Intangible Assets	1,258	19
2,926	Long-term Debtors	2,747	20
258,675	Long-term Assets	295,445	
50	Inventories	592	
98,715	Short-term Debtors	108,347	21
93	Cash and Cash Equivalents	12	
98,858	Current Assets	108,951	
(40,328)	Short-term Creditors	(30,475)	22
(113)	Provisions	(1,304)	23
(5,963)	Grant Receipts in Advance	(19,286)	10
(46,404)	Current Liabilities	(51,065)	
(2,918)	Internal Loans	(2,747)	
(966)	Provisions	(966)	23
(94,035)	Pension Liability	(84,229)	9
(97,919)	Long-term Liabilities	(87,942)	
213,210	Net Assets	265,388	
54,688	Usable Reserves	57,091	6
158,522	Unusable Reserves	208,297	5
213,210	Total Reserves	265,388	



Frank Rogers
Chief Executive & Director General
17 December 2020



John Fogarty (CPFA)
Director of Resources
17 December 2020

CASHFLOW STATEMENT

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

2018/19 £'000		2019/20 £'000	Note
29,848	Net surplus/(deficit) on provision of services	27,034	
72,047	Adjustments to net surplus on the provision of services for non-cash movements	5,173	27
(88,801)	Adjustments to net surplus on the provision of services for items which are investing and financing activities	(39,050)	27
13,094	Net cash inflows/(outflows) from operating Activities	(6,843)	
(13,139)	Investing activities	6,762	27
(45)	Net increase/(decrease) in cash and cash equivalents	(81)	
138	Cash and cash equivalents as at 1 April	93	
93	Cash and cash equivalents as at 31 March	12	

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 2019/20 and its position as at 31 March 2020. The authority 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 2019/20, 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.

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 the authority'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 the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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.

The authority 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 the authority 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 the authority. 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 the authority 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 the authority can no longer withdraw the offer of those benefits, or when the authority 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 the authority 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 the authority 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 the authority 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 the authority 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 the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund 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

The authority 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

The authority 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.

The authority 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, the authority 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.

The authority 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)

The authority'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 the authority 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 the authority, 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 the authority 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

The authority 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 the authority 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 the authority 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. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the 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 the authority when there is reasonable assurance that:

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

Amounts recognised as due to the authority 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 2020. Merseytravel has interests in a number of entities; the principal trading ones are detailed below.

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

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

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

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

Goodwill

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

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

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

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

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

Heritage Assets

The authority 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 the authority'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 the authority (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority. 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

The authority has material interests in companies and other entities that have the nature of subsidiaries which require it to prepare group accounts. In the authority'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 the authority group is dependent upon the extent of the authority's interest and power to influence an entity. An assessment of all the authority's interests is carried out each financial year to determine the relationships that exist and whether they should be included within the authority's group accounts.

This assessment determines whether the entity is accounted for as:

- A subsidiary – the authority controls the entity and has the power to govern its financial and operating policies so as to benefit from its activities; or
- An associate – the authority has significant influence over the entity and has the power to participate in its financial and operating policies; or
- A jointly controlled entity – the authority 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.

The Authority 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 the authority 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).

The Authority as Lessor

Finance Leases

Where the authority 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 the authority'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 the authority 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 the authority 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.

The authority 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 the authority). 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 the authority.

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

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

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

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

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

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

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); 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 the authority'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 the authority 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 the authority 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 the authority settles the obligation.

Contingent Liabilities

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

Contingent Assets

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

The authority 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 the authority – 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 the authority 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. Amendments to IAS 28 Investments in Associates and Joint Ventures: Long Term Interests in Associates and Joint Ventures;
- ii. Annual Improvements to IFRS Standards 2015-2017 Cycle and;
- iii. Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

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

3. Significant Accounting Estimates and Assumptions

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

In terms of the Authority's Balance Sheet as at 31 March 2020, the items for which there is a significant risk of material adjustment are as follows:

- Pension benefits: the cost of defined benefit pension plans is determined using an independent actuarial valuation, involving the use of assumptions about discount rates, returns on assets, future salary increases, mortality rates and future pension increases. Such assumptions are reviewed at each period end and determined jointly between the pension fund management and the actuaries.

- Merseytravel's net pension liability included in the balance sheet and disclosed at note 9 includes an estimate of the total value of the organisation's share of the Merseyside Pension Fund's property assets. The valuation of the Fund's property fund assets has been impacted by COVID-19 and reported on the basis of 'material valuation uncertainty' as per the requirements of VPGA 10 of the RICS Red Book Global. Consequently less certainty and a higher degree of caution should be attached to Merseytravel's share of these Pension Fund assets. The actuary has estimated that the value of the Merseytravel's share of these Pension Fund Property investment assets at 31 March 2020 was £25.34m
- In establishing the intra group cash holding of Merseytravel within the Combined Authority's overall cash balances, a review of reserves was undertaken to establish the level of cash backed reserves held by Merseytravel which has been used as the basis on which to establish the quantum of its cash holdings. This is reflected as a debtor within Merseytravel's accounts.
- Merseytravel has examined all its significant lease agreements to establish whether these should be classed as operational or finance leases. Where the application of IAS 17 does not provide a definitive solution, judgement is applied in determining whether the lease is operating or financial. Based on this assessment all Merseytravel's leases have been assessed to be operational.
- Provisions for doubtful debts: as at 31 March 2020 the Authority has £108m short term debtors. The recoverability of debts are reviewed annually and provision is made for any debts over 12 months old or for which there is evidence of the initial debt being unrecoverable.
- Group accounts: the Authority has a number of interests in other entities which fall within the group boundary. Whilst some of these are deemed to be material and are therefore consolidated into group accounts, others are considered not sufficiently material to warrant full group account disclosures. To ensure there is sufficient visibility on these arrangements, narrative disclosures on these arrangements are included within note 16.
- Market uncertainty: the authority has a valuation process that ensures that all property plant and equipment required to be measured at current value is revalued at least every five years. 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 outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries and market activity is being impacted in many sectors. As a consequence, the external valuers of property, plant and equipment consider that they can attach less weight to previous market evidence for comparison purposes in order to inform opinions of value. The valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution is attached to the valuation than would normally be the case.

4. Adjustments Between Accounting Base and Funding Under Regulation

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

2018/19 General Fund Balance £'000		2019/20 General Fund Balance £'000
1,922	Pensions costs (transferred to the Pensions Reserve)	8,045
(39,859)	Reversal of entries included in the Surplus on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(32,676)
(37,937)	Total Adjustments to Revenue Resources	(24,631)

5. Unusable Reserves

2018/19 £'000		2019/20 £'000
25,336	Revaluation Reserve	28,806
230,612	Capital Adjustment Account	264,092
(97,054)	Pension Reserve	(84,229)
(372)	Accumulated Absences Account	(372)
158,522	Total	208,297

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.

2018/19 £'000			2019/20 £'000	
	29,699	Balance as at 1 April		25,336
3,395		Upward revaluation of assets	4,274	
(6,764)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	0	
	(3,368)	Surplus/(deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		4,274
	(995)	Difference between fair value depreciation and historical cost depreciation		(804)
	25,336	Balance as at 31 March		28,806

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.

2018/19 £'000		2019/20 £'000
189,759	Balance as at 1 April	230,612
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(14,506)	Charges for depreciation, amortisation and impairment of non-current assets	(6,132)
(51,875)	Revenue expenditure funded from capital under statue	(51,945)
(41,054)	Amounts of non-current assets written off on disposal or sale as part of gains/ losses on disposal to the Comprehensive Income and Expenditure Statement	(227)
(107,435)		(58,303)
994	Adjusting amounts written out of the Revenue Reserve	804
(106,441)	Net written out amount of the costs of noncurrent assets consumed in the year	(57,499)
	Capital financing applied in the year:	
138,820	Capital grants, contributions and donated assets credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	90,979
8,474	Use of the Capital Reserve to finance new capital expenditure	0
147,294		90,979
230,612	Balance as at 31 March	264,092

Pensions Reserve

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

2018/19 £'000		2019/20 £'000
(87,488)	Balance as at 1 April	(97,054)
(7,644)	Remeasurements of the net defined benefit liability	20,871
(8,974)	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	(15,276)
4,034	Employers pension contributions and direct payments to pensioners payable in the year	4,212
3,018	Recognition of pension deficit prepayment	3,018
(97,054)	Balance as at 31 March	(84,229)

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.

2018/19 £'000		2019/20 £'000
(372)	Balance as at 1 April	(372)
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	0
(372)	Balance as at 31 March	(372)

6. Revenue and Earmarked Reserves

This note sets out the amounts set aside from the Revenue Reserve balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

	Note	Balance at 1 April 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020
Capital Reserve	a	5,749	(5,749)	0	0	0	17	17
Rail Franchise Agreement Reserve	b	25,019	0	2,764	27,783	0	1,730	29,513
Rail Financing Reserve	c	3,204	(3,204)	0	0	0	0	0
Restructuring Reserve	d	4,368	0	0	4,368	0	0	4,368
Grant/Contributions Unapplied Reserve	e	2,329	0	0	2,329	0	0	2,329
OLR Reserve	f	2,000	0	0	2,000	0	0	2,000
Operational Reserves	g	4,731	0	0	4,731	0	0	4,731
Sustainable Transport Reserve	h	225	0	0	225	0	0	225
Revenue Reserve		1,739	0	824	2,563	0	656	3,219
Other Reserves		13,414	(2,725)	0	10,689	0	0	10,689
Total		62,778	(11,678)	3,588	54,688	0	2,403	57,091

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

7. Other Operating Expenditure

2018/19 £'000		2019/20 £'000
110	Pension Administration Costs	113

8. Financing and Investment Income

2018/19 £'000		2019/20 £'000
9,379	Interest on Pension Liabilities	9,270
(7,314)	Pension Interest on Plan Assets	(6,985)
159	Interest Payable on Intercompany Loan	151
(159)	Interest Receivable on Intercompany Loan	(151)
0	Other Interest payable	1
2,065	Total	2,286

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.

2018/19 £'000		2019/20 £'000
	Net Cost of Service	
6,799	Current service cost	7,645
0	Past service cost	5,233
0	Curtailments	0
	Other Operating Expenditure	
110	Administration expenses	113
	Financing and Investments Income	
2,065	Net interest expense	2,285
8,974	Total Post Employment Benefits Charged to the CIES	15,276

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

2018/19 £'000		2019/20 £'000
(8,974)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(15,276)
4,034	Employers contribution payable to the Scheme	4,212

Pension Assets and Liabilities recognised in the Balance Sheet

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

2018/19 £'000		2019/20 £'000
389,218	Benefit obligation at end of the period	353,554
(295,182)	Fair Value of plan assets at end of the period	(269,325)
94,036	Deficit as at 31 March	84,229

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

2018/19 £'000		2019/20 £'000
284,954	Balance brought forward 31 March	295,182
7,314	Interest on plan assets	6,985
10,336	Remeasurement	(24,464)
(110)	Administration expenses	(113)
4,034	Employers contributions	4,212
1,533	Members contributions	1,587
(12,879)	Benefits/ transfers paid	(14,064)
295,182	Balance carried forward 1 April	269,325

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

2018/19 £'000		2019/20 £'000
366,405	Balance brought forward 31 March	389,218
6,800	Current service cost	7,645
0	Past service cost	5,233
9,379	Interest on pension liabilities	9,270
1,533	Member contribution	1,587
17,980	Remeasurement (liabilities)	(45,335)
0	Curtailments	0
(12,879)	Benefits/ transfers paid	(14,064)
389,218	Balance carried forward 1 April	353,554

Despite a reduction in net assets of £25.9m as well as the incorporation of additional liabilities for the impact of recent court judgements (the McCloud Case which related to age discrimination within the New Judicial Pension Scheme) there has been a reduction in the overall net pension liability of £12.8m. This is a result of revisions to the actuarial assumptions for mortality rates and for inflation and future increases to salaries and pensions.

Market uncertainties surrounding the COVID-19 pandemic have the potential to impact upon the pension fund asset values as at the balance sheet date. In order to mitigate this uncertainty, the pension fund assets have been valued as close to 31 March 2020 as possible.

As at 31 March the assets comprised:

2018/19					2019/20			
Quoted £'000	Unquoted £'000	Total £'000	% of total		Quoted £'000	Unquoted £'000	Total £'000	% of total
45,314	7,795	53,109	18	<u>Equities</u>				
61,646	30,200	91,846	31	UK	40,228	6,001	46,229	17
				Global	65,001	28,553	93,554	35
10,700	0	10,700	4	<u>Bonds</u>				
12,721	0	12,721	4	UK Government	5,491	0	5,491	2
23,395	0	23,395	8	UK Corporate	13,954	0	13,954	5
				UK Index Linked	17,105	0	17,105	6
0	18,018	18,018	6	<u>Property</u>				
584	5,378	5,962	2	UK Direct Property	0	14,444	14,444	5
0	4,200	4,200	1	UK Managed Property	615	4,079	4,694	2
				Global Managed Property	0	6,202	6,202	2
1	9,376	9,377	3	<u>Private Equity</u>				0
0	10,466	10,466	4	UK	28	2,934	2,962	1
				Global	0	15,115	15,115	6
8,601	0	8,601	3	<u>Cash</u>				
				Cash Instruments	5,124	0	5,124	2
256	1,208	1,464	-	<u>Other</u>				
0	7,463	7,463	3	Private Equity UK	643	4,191	4,834	2
512	10,887	11,399	4	Private Equity Global	1,062	7,068	8,130	3
0	7,199	7,199	2	Infrastructure UK	447	9,276	9,723	4
2,720	9,056	11,776	4	Infrastructure Global	0	7,907	7,907	3
2,565	4,921	7,486	3	Opportunities UK	726	6,454	7,180	3
				Opportunities Global	251	6,426	6,677	2
169,015	126,167	295,182	100		150,675	118,650	269,325	100

Actuarial Assumptions

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme liabilities have been assessed by Mercers, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme. The main assumptions used in their calculations are detailed in the table below.

	2018/19	2019/20
<u>Base Assumptions</u>		
Rate of CPI inflation	2.20%	2.10%
Rate of increase in salaries	3.70%	3.60%
Rate of increase in pensions	2.30%	2.20%
Discount Rate	2.40%	2.40%
<u>Mortality Assumptions</u>		
Life expectancy of male future pensioner aged 65 in 20 years' time	25.2	22.5
Life expectancy of female future pensioner aged 65 in 20 years' time	27.9	25.9
Life expectancy of male current pensioner aged 65	22.2	20.9
Life expectancy of female current pensioner aged 65	25	24

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	+0.1% p.a. discount rate	+0.1% p.a. inflation	+0.1% p.a. pay growth	1 year increase in life expectancy
	£'000	£'000	£'000	£'000	£'000
Liabilities	353,554	348,362	358,824	354,407	363,401
Assets	(269,325)	(269,325)	(269,325)	(269,325)	(269,325)
(Surplus)/ Deficit	84,229	79,037	89,499	85,082	94,076
Projected service cost next year	6,869	6,695	7,049	6,869	7,081
Projected net interest cost for next year	1,987	1,940	2,120	2,014	2,230

Impact on Merseytravel's Cashflows

The objectives of the scheme are to keep employer's contributions at as constant and affordable rate as possible. Merseyside Pension Fund has agreed a strategy with the scheme's actuary which was approved by the Pensions Committee in March 2017. Funding levels are monitored on an annual basis. The most recent triennial valuation took place in the financial year and rates applied from 1 April 2020.

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

Merseytravel anticipates paying £2.9m in contributions to the scheme in 2020/21.

10. Grant Income

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

2018/19 Restated £'000	Credited to Services	2019/20 £'000
87,033	Special Rail Grant (pass ported through from LCRCA)	96,215
1,516	Bus Special Operator Grant	1,516
15,032	Mersey Tunnels Operating Grant*	13,694
2,601	Rolling Stock*	6,026
47,368	REFCUS*	51,946
548	Cycling and Walking to Work	15
1,241	Other Grants	1,958
155,339	Total	171,371

* The 2018/19 comparatives have been restated to include the Mersey Tunnels Operating Grant and REFCUS income to provide greater transparency. This has no impact on gross income reported.

2018/19 £'000	Credited to Taxation and Non Specific Grant Income	2019/20 £'000
92,020	Merseytravel Grant	90,690
85,920	Capital grants	39,033
177,940	Total	129,723

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:

2018/19 £'000		2019/20 £'000
0	LCRCA	16,109
106	Better Bus Area	107
5,507	DfT	2,901
350	Other	170
5,963	Total	19,286

11. Rail Concession Agreement (Benefit Share)

Under the concession agreement in respect of Merseyrail Electrics (MEL), there is an agreement that surpluses above a certain threshold are shared between MEL and Merseytravel. Merseytravel's net share for 2019/20 is £1.7m (2018/19 £2.8m). For 2019/20 costs of £1.4m (2018/19 £1.5m) and income of £3.1m (2018/19 £4.3m) have been included in Merseytravel income and expenditure.

The balance as at 31 March 2020 is £29.5m (2018/19 £27.8m) and is included in useable reserves in the Balance Sheet. Agreed ongoing expenditure includes strengthening services on the Chester and Ormskirk Lines, funding the enhanced Chester-Liverpool train service and further improvements at Liverpool South Parkway.

12. Officers Remuneration

Senior Officers Remuneration

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

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

		Salary (incl Allowances)	Employers Pension Contribution	Total Remuneration
		£'000	£'000	£'000
Chief Executive & Director General (i)	2019/20	95	14	109
	2018/19	91	13.5	104.5
Director of Corporate Development	2019/20	113	17	130
	2018/19	111	17	128
Director of Resources (ii)	2019/20	63	9	72
	2018/19	59.5	9	68.5
Director of Integrated Transport - appointed 7th October 2019	2019/20	44	6	50
Director of Integrated Transport - resigned 31st July 2019	2019/20	44	6	50
	2018/19	113	17	130

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	2018/19	2019/20
£50,000 to £54,999	17	19
£55,000 to £59,999	9	12
£60,000 to £64,999	3	1
£65,000 to £69,999	3	2
£70,000 to £74,999	3	2
£75,000 to £79,999	1	0
£80,000 to £84,999	1	5
£85,000 to £89,999	2	0
£90,000 to £94,999	0	1
£95,000 to £99,999	0	0
£100,000 to £104,999	1	0
£105,000 to £109,999	0	0
£110,000 to £114,999	0	0
£125,000 to £129,999	0	1
£135,000 to £139,999	1	1
£140,000 to £154,999	0	0
£155,000 to £159,999	0	1
Total	41	45

13. Exit Packages

Merseytravel Exit Package Cost Band	No. of Compulsory Redundancies		No. of other Departures agreed		Total No. of Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	18/19	19/20	18/19	19/20	18/19	19/20	18/19 £'000	19/20 £'000
£0 - £20,000	0	0	0	3	0	3	0	19
£20,001 - £40,000	0	0	1	0	1	0	35	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	1	0	1	0	2	0	139
£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	1	0	1	0	197	0
TOTAL	0	1	2	4	2	5	232	158

14. Expenditure and Funding Analysis

2018/19				2019/20		
Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the CIES		Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
14,190	5,915	20,105	Bus	19,564	3,457	23,021
14,976	39,740	54,716	Rail	2,270	1,283	3,553
4,011	3,197	7,208	Customer Delivery	6,594	969	7,563
53,566	(252)	53,314	Travel Concession	51,664	0	51,664
1,559	836	2,395	Policy	568	178	746
2,431	1,179	3,610	People & Customer Development	0	0	0
(6,429)	3,956	(2,473)	Corporate Management & Other Services	3,911	5,482	9,393
622	5,638	6,260	Mersey Ferries	1,320	2,297	3,617
0	783	783	Tunnels	(624)	1,358	734
84,926	60,992	145,917	Net Cost of Services	85,267	15,023	100,290
(76,837)	(98,929)	(175,765)	Other Income & Expenditure	(87,670)	(39,654)	(127,324)
8,089	(37,937)	(29,848)	(Surplus) or deficit	(2,403)	(24,631)	(27,034)
(62,778)			Opening General Fund Balance at 1 April	(54,688)		
8,090			Less/plus Surplus or Deficit on General Fund in Year	(2,403)		
(54,688)			Closing General Fund Reserves at 31 March	(57,091)		

Note to the EFA 2019/20

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Bus	2,835	622	0	3,457
Rail	1,007	276	0	1,283
Customer Delivery	68	901	0	969
Travel Concessions	0	0	0	0
Policy	20	158	0	178
People & Customer Development	0	0	0	0
Corporate Management & Other Services	662	4,820	0	5,482
Mersey Ferries	1,765	532	0	2,297
Mersey Tunnels	0	1,358	0	1,358
Net Cost of Services	6,357	8,666	0	15,023
Other Income & Expenditure from the Funding Analysis	(39,033)	2,398	(3,019)	(39,654)
Difference between General Fund surplus or deficit and CIES surplus or deficit	(32,677)	11,064	(3,019)	(24,631)

Note to the EFA 2018/19

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Bus	4,665	1,250	0	5,915
Rail	38,934	806	0	39,740
Customer Delivery	958	2,239	0	3,197
Travel Concessions	(252)	0	0	(252)
Policy	20	817	0	837
People & Customer Development	(50)	1,229	0	1,179
Corporate Management & Other Services	187	3,769	0	3,956
Mersey Ferries	3,946	1,692	0	5,638
Tunnels	0	783	0	783
Net Cost of Services	48,408	12,585	0	60,993
Other Income & Expenditure from the Funding Analysis	(88,267)	(7,644)	(3,019)	(98,930)
Difference between General Fund surplus or deficit and CIES surplus or deficit	(39,859)	4,941	(3,019)	(37,937)

Expenditure Analysed by Type

2018/19 £'000		2019/20 £'000
	Expenditure	
30,096	Employee benefits expenses	34,903
311,218	Other services expenses	274,782
6,628	Depreciation, amortisation, impairment	6,132
159	Interest payable	152
348,101	Total expenditure	315,969
	Income	
(44,863)	Fees, charges and other service income	(39,592)
(159)	Interest and investment income	(151)
(332,926)	Government grants and contributions	(303,259)
(377,948)	Total income	(343,002)
(29,847)	(Surplus) or deficit on the Provision of Services	(27,034)

15. Audit Fees

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

2018/19 Restated £'000		2019/20 £'000
36	External Audit fees in respect of Merseytravel	29
36	Total	29

The 2018/19 disclosure has been restated to reflect fees charged in relation to additional work undertaken.

16. Related Party Transactions

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

Liverpool City Region Combined Authority (LCRCA).

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

Group banking arrangements exist for LCRCA and Merseytravel with all investments made in the name of the LCRCA. As at 31 March 2020 Merseytravel had short term deposits of £79.282m (£72.420m 2018/19) with LCRCA. Balances are unsecured, interest free and settlement occurs in cash. No guarantees have been provided or received in respect of these sums.

A variety of support functions were provided by Merseytravel to the Authority, primarily IT, Financial, and Internal Audit support. As this support was provided by Merseytravel staff a charge was made to the Authority of £399k for 2019/20, (£625k 2018/19). In addition to this, the Authority contributed £578k to Merseytravel for additional capacity staff posts and a further £500k to Bus Services for work on Mayoral transport priorities.

Subsidiary Companies

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

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

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

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

Accrington Technologies - during the last two financial years the company has not traded and has received no income and incurred no expenditure. As at 31 March 2020 the company had net assets of £5k and reserves of £5k.

Real Time Information Group (RTIG) - the disclosed profit after taxation for 2019/20 was £19k (£6k in 2018/19). As at 31 March 2020 the company had net assets of £1k.

17. Property Plant and Equipment

	Infrastructure Assets	Freehold Property	Leasehold Property	Plant and Machinery	Vessels	Ancillary Vehicles	Surplus Assets	Assets Under Construction	Held for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation										
As at 1 April 2019	37,861	16,067	66,435	4,129	2,801	22	1,139	146,297	13	274,764
Additions	577	464	186	1,030	94	0	0	36,226		38,577
Revaluation inc/(dec) recognised in the Revaluation Reserve	0	229	1,756	0	0	0	0	0	0	1,985
Reclassification	0	0	0	1,712	0	0	0	(1,712)	0	0
Derecognition disposals	0	0	0	(339)	0	0	0	0	(13)	(352)
As at 31 March 2020	38,438	16,760	68,377	6,532	2,895	22	1,139	180,812	0	314,974
Depreciation and Impairment										
As at 1 April 2019	18,181	0	19	2,113	0	14	0	0	0	20,327
Depreciation	2,855	546	1,741	516	280	8	0	0	0	5,947
Depreciation written out to the Revaluation Reserve	0	(546)	(1,742)	0	0	0	0	0	0	(2,289)
Disposals	0	0	0	(125)	0	0	0	0	0	(125)
As at 31 March 2020	21,036	(0)	18	2,505	280	22	0	0	0	23,860
Net Book Value										
As at 31 March 2020	17,402	16,760	68,359	4,027	2,615	0	1,139	180,812	0	291,114
As at 31 March 2019	19,680	16,067	66,416	2,016	2,801	8	1,139	146,297	13	254,437

	Infrastructure Assets	Freehold Property	Leasehold Property	Plant and Machinery	Vessels	Ancillary Vehicles	Surplus Assets	Assets Under Construction	Held for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation										
As at 1 April 2018	38,947	11,090	69,994	3,736	5,557	22	2,146	104,752	0	236,244
Additions	440	5,693	108	546	234	0	0	82,384		89,405
Revaluation inc/(dec) recognised in the Revaluation Reserve	0	813	(6,177)	0	0	0	(565)	0	(4)	(5,933)
Revaluation inc/(dec) recognised in the Surplus/Deficit on the Provision of Services	0	(3,095)	(890)	0	(2,990)	0	(2,875)	0	0	(9,850)
Reclassification	(1,526)	1,566	(2,490)	0	0	0	2,433	0	17	0
Donations	0	0	5,890	0	0	0	0	0		5,890
Derecognition disposals	0	0	0	(153)	0	0	0	(40,839)		(40,992)
As at 31 March 2019	37,861	16,067	66,435	4,129	2,801	22	1,139	146,297	13	274,764
Depreciation and Impairment										
As at 1 April 2018	15,379	0	0	1,681	1,116	11	260	0	0	18,447
Depreciation	2,802	520	2,084	475	444	3	130	0	0	6,458
Depreciation written out to the Revaluation Reserve	0	(497)	(1,986)	0	0	0	(79)	0	0	(2,562)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	(23)	0	0	(1,560)	0	(390)	0	0	(1,973)
Reclassification	0	0	(79)	0	0	0	79	0	0	0
Disposals	0	0	0	(43)	0	0	0	0	0	(43)
As at 31 March 2019	18,181	0	19	2,113	0	14	0	0	0	20,327
Net Book Value										
As at 31 March 2019	19,680	16,067	66,416	2,016	2,801	8	1,139	146,297	13	254,437
As at 31 March 2018	23,568	11,090	69,994	2,055	4,441	11	1,886	104,752	0	217,797

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 51 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 52 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 18 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

The authority 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. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset.

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

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

Infrastructure assets (gross book value £38.438m), assets under construction (gross book value £180.812m), short life plant, machinery and vehicles (gross book value £6.554m) are carried at historical cost. The remaining categories of property, plant and equipment (gross book value £89.171m) are carried at current value.

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 has been applied across the remainder of the portfolio as an estimate of the movement in property values in the financial year.

Capital Commitments

As at 31 March 2020, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2020/2021 and future years budgeted to cost £179,466m. Similar commitments at 31 March 2019 were £227.954m.

The major commitments are:

- Rolling Stock - £148.650m
- Seacombe dry docking works - £5.935m
- Kingsway replacement sump pump drainage pipe work system - £5.710m
- Prescott lifts and car park - £3.600m
- Headbolt Lane rail scheme - £3.345m

18. Capital Expenditure and Capital Financing

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

	2019/20 £'000	2018/19 £'000
Opening Capital Financing Requirement	(381)	(381)
Capital investment		
PPE	38,577	89,403
Intangible assets	456	130
Revenue Expenditure Funded from Capital Under Statute	51,946	51,874
Sources of Finance		
Government grants and other contributions	(90,979)	(132,933)
Use of Reserves	0	(8,474)
Closing Capital Financing Requirement	(381)	(381)
Movement in Capital Financing Requirement	(0)	0

19. Intangible Assets

2018/19 £'000		2019/20 £'000
	Cost or valuation:	
	Opening balance:	
1,825	Gross carrying amount	1,748
(694)	Accumulated amortisation	(762)
1,131	Opening net carrying amount	986
	Additions, amortisation, reclassification:	
131	Additions	456
(170)	Amortisation	(184)
(106)	Disposals	0
986	Net carrying amount at end of year	1,258
	Comprising:	
1,748	Gross carrying amount	2,204
(762)	Accumulated amortisation	(946)
986		1,258

Intangible assets relate to licenses acquired by Merseytravel.

20. Long Term Debtors

2018/19 £'000		2019/20 £'000
8	Loan to Restaurant (i)	0
2,918	Other Loans (ii)	2,747
2,926	Total	2,747

- (i) The loan to the restaurant is to the owners of the Pier Head's Matou Pan Asian Restaurant to assist in the fit out of the restaurant and is repayable over ten years.
- (ii) Other loans relate to a loan to Mersey Ferries Limited for the acquisition of the Beatles Story. This is repayable in equal instalments of principal and interest until 2032/33.

21. Short Term Debtors

2018/19 £'000		2019/20 £'000
2,890	Trade Receivables	1,784
996	Prepayments	2,871
94,289	Other	103,692
98,175	Total	108,347

The figures above are net of bad debt provision. A provision of £33k (£9k 2018/19) has been made for bad debt.

22. Short Term Creditors

2018/19 £'000		2019/20 £'000
40	Trade Payables	1
40,288	Other Payables	30,474
40,328	Total	30,475

23. Provisions

	As at 31 March 2019 Restated £'000	Expenditure charged to provision in year £'000	Increase/ (decrease) in provision £'000	As at 31 March 2020 £'000
Employment Related Provision	113	(96)	49	66
Contractual Provisions	966	0	1,238	2,204
Total	1,079	(96)	1,287	2,270

The balances as at 31st March 2019 have been restated to provide a more accurate analysis of the opening position. The restatement does not have any impact on the total provisions reported.

Employment related provisions relate to pension obligations and provisions arising from job evaluation/ employment harmonisation.
Contractual provisions relate to insurance claims, payments to bus operators and the Merseytram project.

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

	As at 31 March 2019	As at 31 March 2020
	£'000	£'000
Short term provisions	113	1,304
Long term provisions	966	966
Total	1,079	2,270

24. Leases

Authority as Lessor

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

2018/19 £'000		2019/20 £'000
34	Not later than one year	32
121	Between one and five years	82
71	Over five years	56
226	Total	170

25. Financial Instruments

Categories of Financial Instruments

31 March 2019			31 March 2020	
Current	Non Current		Current	Non Current
£'000	£'000		£'000	£'000
		Financial Assets at Amortised Cost:		
162	2,918	Internal Loans	170	2,747
72,420	0	Amount deposited with LCRCA Group	80,976	0
25,137	8	Debtors	24,330	0
97,719	2,926	Total Financial Assets	105,476	2,747
		Financial Liabilities at Amortised Cost:		
(162)	(2,918)	Internal Loans	(170)	(2,747)
(40,167)	0	Creditors	(30,305)	0
(40,329)	(2,918)	Total Financial Liabilities	(30,475)	(2,747)

Income and Expenses through the CIES

During the year, Merseytravel paid interest of £151k (£159k in 2018/19) and received interest of £151k (£159k in 2018/19). 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 as 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 £2.917m 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.

26. Contingent Liabilities

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

The COVID-19 pandemic has had a severe and potentially far reaching impact on the public transport network. The near collapse in public transport revenues has had a significant impact on both bus and train operators. Whilst EMA's have been reached with other train operators throughout England, no such agreement has been reached

in respect of the Merseyrail network. As Merseytravel is the local concessionaire for the Merseyrail network, failure to establish such an agreement with the DfT, or more locally, to manage the impact of COVID-19 could lead to contractual mechanisms being invoked under the concession agreement which could see recourse to Merseytravel for financial support measures.

27. Cash Flow Statement

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

2018/19 £'000		2019/20 £'000
6,628	Depreciation and amortisation	6,131
7,880	Revaluation losses	0
(10,414)	Increase/(decrease) in creditors and provisions	(2,256)
27,802	Increase in debtors	(9,453)
31	(Increase)/decrease in inventories	(541)
4,940	Movement in pension liability	11,065
15	Other non-cash items charged to the net surplus on the provision of services	0
(5,890)	Donated assets	0
41,055	Carrying amount of non-current assets derecognised	227
72,047		5,173

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

2018/19 £'000		2019/20 £'000
(88,801)	Grants received for the financing of capital expenditure	(39,033)
0	Proceeds from the sale of PPE	(17)
(88,801)		(39,050)

Cash Flow Statement Investing Activities

2018/19 £'000		2019/20 £'000
(102,311)	Purchase of property, plant and equipment and intangible assets	(48,144)
89,172	Other receipts from investing activities	54,906
(13,139)		6,762

MERSEYTRAVEL GROUP ACCOUNTS

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

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

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

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

Consistent accounting policies are applied to both Merseytravel's group and single entity accounts. For details of the accounting policies, refer to those disclosed on pages 35-50.

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

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

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

GROUP MOVEMENT IN RESERVES STATEMENT

	Usable Reserves (General Fund Balance)	Unusable Reserves	Total Reserves
	£'000	£'000	£'000
Balance as 31 March 2018	64,071	131,811	195,882
Movement in Reserves during 2018/19			
Total Comprehensive Income and Expenditure	29,937	(11,017)	18,920
Adjustments between accounting basis and funding basis under regulations	(37,936)	37,936	0
Increase/(Decrease) in 2018/19	(7,999)	26,919	18,920
Balance as at 31 March 2019 carried forward	56,072	158,732	214,804
Movement in Reserves during 2019/20			
Total Comprehensive Income and Expenditure	27,091	25,145	52,236
Adjustments between accounting basis and funding basis under regulations	(24,632)	24,632	0
Increase/(Decrease) in 2019/20	2,459	49,777	52,236
Balance as at 31 March 2020 carried forward	58,531	208,507	267,038

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018/19 RESTATED				2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Spend
£'000	£'000	£'000		£'000	£'000	£'000
27,261	(7,155)	20,106	Bus Services	31,354	(8,333)	23,021
205,487	(150,770)	54,717	Rail Services	168,895	(165,342)	3,553
9,404	(2,196)	7,208	Customer Delivery	10,243	(2,355)	7,889
70,258	(16,944)	53,314	Travel Concession	73,388	(21,724)	51,664
6,412	(4,017)	2,395	Policy	4,041	(3,295)	746
4,256	(645)	3,610	People and Customer Development	0	0	0
3,692	(6,165)	(2,473)	Corporate Management and other Corporate Costs	10,207	(595)	9,612
4,849	0	4,849	Merseytravel Ferries Costs*	2,475	0	2,475
12,919	(11,759)	1,160	Mersey Ferries Group*	11,944	(11,557)	388
15,815	(15,032)	783	Mersey Tunnels	14,990	(14,256)	734
360,353	(214,683)	145,669	Net Cost of Service	327,538	(227,457)	100,082
		110	Other Operating Expenditure			113
		2,223	Financing and Investment Income/expenditure			2,437
		(177,940)	Taxation and Non Specific Grant Income			(129,723)
		(29,938)	(Surplus) or Deficit on the Provision of Services			(27,091)
		7,644	Remeasurement Gains/ Losses on Pension Assets/ Liabilities			(20,871)
		3,374	(Surplus)/ Deficit on Revaluation Non Current Assets			(4,274)
		11,018	Other Comprehensive Income and Expenditure			(25,145)
		(18,920)	Total Comprehensive Income and Expenditure			(52,236)

The 2018/19 comparatives for Gross Expenditure and Gross Income have been restated for the Mersey Ferries Group. The net position of £6.009 million for Mersey Ferries costs remains unchanged from the 2018/19 financial statements. A review of the 2018/19 consolidation working papers identified an error in the netting off of income against expenditure. Income and expenditure have consequently been grossed up and restated to correct this error. There is no impact on the net cost of services.

GROUP BALANCE SHEET

As at 31 March 2019		As at 31 March 2020	Note
£'000		£'000	
255,748	Property, Plant and Equipment	292,396	4
711	Heritage Assets	711	
2,681	Intangible Assets	2,953	5
8	Long-term Debtors	0	
259,148	Long-term Assets	296,060	
541	Inventories	1,036	
100,162	Short-term Debtors	111,653	6
269	Cash and Cash Equivalents	38	
100,972	Current Assets	112,727	
(40,586)	Short-term Creditors	(32,127)	7
(307)	Provisions	(1,498)	
(6,505)	Grant Receipts in Advance	(20,182)	
(47,398)	Current Liabilities	(53,807)	
(2,918)	Loan from group company	(2,747)	9
(966)	Provisions	(966)	
(94,035)	Pension Liability	(84,229)	
(97,919)	Long-term Liabilities	(87,942)	
214,803	Net Assets	267,038	
56,072	Usable Reserves	58,531	1
158,732	Unusable Reserves	208,507	
214,804	Total Reserves	267,038	



Frank Rogers
Chief Executive & Director General
17 December 2020



John Fogarty (CPFA)
Director of Resources
17 December 2020

GROUP CASHFLOW STATEMENT

2018/19 £'000		2019/20 £'000	Note
29,938	Net surplus/(deficit) on provision of services	27,091	
71,893	Adjustments to net surplus on the provision of services for non-cash movements	5,085	11
(88,801)	Adjustments to net surplus on the provision of services for items which are investing and financing activities	(39,050)	11
13,030	Net cash (outflows)/inflows from operating Activities	(6,874)	
(13,083)	Investing activities	6,643	11
(53)	Net increase/(decrease) in cash and cash equivalents	(231)	
322	Cash and cash equivalents as at 1 April	269	
269	Cash and cash equivalents as at 31 March	38	

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 2019/20. Details of the Merseytravel Single Entity reserves are included in note 6 of the single entity accounts

	Balance at 1 April 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Single Entity Reserves	62,778	(11,678)	3,588	54,688	0	2,403	57,091
Subsidiary Reserves	1,293	0	91	1,384	0	56	1,440
Total	64,071	(11,678)	3,679	56,072	0	2,459	58,531

2. Tax

Included within the Group CIES is estimated corporation tax payable on the Beatles Story profits of £186k (£202k 2018/19).

3. Expenditure and Funding Analysis

2018/19 Restated				2019/20		
Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the CIES		Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
14,191	5,915	20,106	Bus	19,564	3,457	23,021
14,977	39,740	54,717	Rail	2,270	1,283	3,553
4,011	3,197	7,208	Customer Delivery	6,920	969	7,889
53,566	(252)	53,314	Travel Concessions	51,664	0	51,664
1,558	837	2,395	Policy	568	178	746
2,431	1,179	3,610	People & Customer Development	0	0	0
(6,429)	3,956	(2,473)	Corporate Management & Other Corporate Costs	4,130	5,482	9,612
(789)	5,638	4,849	MT Ferries Costs	178	2,297	2,475
1,160	0	1,160	Mersey Ferries Group	388	0	388
0	783	783	Mersey Tunnels	(624)	1,358	734
84,676	60,993	145,669	Net Cost of Services	85,059	15,023	100,082
(76,678)	(98,930)	(175,605)	Other Income & Expenditure	(87,519)	(39,654)	(127,173)
7,998	(37,937)	(29,936)	Surplus or deficit	(2,460)	(24,631)	(27,091)
(64,071)			Opening General Fund Balance at 1 April	(56,073)		
7,998			Less/plus Surplus or Deficit on General Fund in Year	(2,460)		
(56,073)			Closing General Fund Reserves at 31 March	(58,533)		

The 2018/19 comparatives for Gross Expenditure and Gross Income have been restated for the Mersey Ferries Group. The restatement has no impact on the net expenditure previously reported.

Note to EFA 2019/20

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Bus	2,835	622	0	3,457
Rail	1,007	276	0	1,283
Customer Delivery	68	901	0	969
Travel Concessions	0	0	0	0
Policy	20	158	0	178
People & Customer Development	0	0	0	0
Corporate Management & Other Corporate Costs	662	4,820	0	5,482
MT Ferries Costs	1,765	532	0	2,297
Mersey Ferries Group	0	0	0	0
Mersey Tunnels	0	1,358	0	1,358
Net Cost of Services	6,357	8,666	0	15,023
Other Income & Expenditure from the Funding Analysis	(39,033)	2,398	(3,019)	(39,654)
Difference between General Fund surplus or deficit and CIES surplus or deficit	(32,677)	11,064	(3,019)	(24,631)

Note to EFA 2018/19 Restated

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Bus	4,665	1,250	0	5,915
Rail	38,934	806	0	39,740
Customer Delivery	958	2,239	0	3,197
Travel Concessions	(252)	0	0	(252)
Policy	20	817	0	837
People & Customer Development	(50)	1,229	0	1,179
Corporate Management & Other Corporate Costs	187	3,769	0	3,956
MT Ferries Costs	3,946	1,692	0	5,638
Mersey Ferries Group	0	0	0	0
Mersey Tunnels	0	783	0	783
Net Cost of Services	48,408	12,585	0	60,993
Other Income & Expenditure from the Funding Analysis	(88,267)	(7,644)	(3,019)	(98,930)
Difference between General Fund surplus or deficit and CIES surplus or deficit	(39,859)	4,941	(3,019)	(37,937)

Expenditure and Income Analysed by Type

2018/19 £'000		2019/20 £'000
	Expenditure	
33,539	Employee benefits expenses	38,628
330,089	Other services expenses	290,044
6,788	Depreciation, amortisation, impairment	6,380
160	Interest payable	152
370,576	Total expenditure	335,204
	Income	
(67,589)	Fees, charges and other service income	(59,032)
0	Interest and investment income	(0)
(332,926)	Government grants and contributions	(303,262)
(400,515)	Total income	(362,294)
(29,939)	(Surplus) or deficit on the Provision of Services	(27,091)

4. **Property Plant and Equipment**
Movement on Balances 2019/20

	Infrastructure Assets	Freehold Property	Leasehold Property	Plant and Machinery	Vessels	Ancillary Vehicles	Surplus Assets	Assets Under Construction	Held for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation										
As at 1 April 2019	37,861	16,068	67,557	6,982	2,801	22	1,139	146,297	13	278,740
Additions	577	464	186	1,150	94	0	0	36,226	0	38,697
Revaluation inc/(dec) recognised in the Revaluation Reserve	0	229	1,756	0	0	0	0	0	0	1,985
Reclassification				1,712				(1,712)		0
Donations										0
Derecognition disposals	0	0	0	(347)	0	0	0	0	(13)	(360)
As at 31 March 2020	38,438	16,761	69,499	9,497	2,895	22	1,139	180,812	0	319,062
Depreciation and Impairment										
As at 1 April 2019	18,181	0	595	4,202	0	14	0	0	0	22,992
Depreciation	2,855	546	1,741	665	280	8	0	0	0	6,095
Depreciation written out to the Revaluation Reserve	0	(546)	(1,742)	0	0	0	0	0	0	(2,289)
Disposals	0	0	0	(132)	0	0	0	0	0	(132)
As at 31 March 2020	21,036	(0)	594	4,734	280	22	0	0	0	26,666
Net Book Value										
As at 31 March 2020	17,402	16,761	68,905	4,763	2,615	0	1,139	180,812	0	292,396
As at 31 March 2019	19,680	16,068	66,962	2,780	2,801	8	1,139	146,297	13	255,748

Movement on Balances 2018/19

	Infrastructure Assets	Freehold Property	Leasehold Property	Plant and Machinery	Vessels	Ancillary Vehicles	Surplus Assets	Assets Under Construction	Held for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation										
As at 1 April 2018	38,947	11,091	71,064	6,411	5,557	22	2,146	104,753	0	239,991
Additions	440	5,693	160	738	234	0	0	82,383		89,648
Revaluation inc/(dec) recognised in the Revaluation Reserve	0	813	(6,177)	0	0	0	(565)	0	(4)	(5,933)
Revaluation inc/(dec) recognised in the Surplus/Deficit on the Provision of Services	0	(3,095)	(890)	0	(2,990)	0	(2,875)	0	0	(9,850)
Reclassification	(1,526)	1,566	(2,490)	0	0	0	2,433	0	17	0
Donations	0	0	5,890	0	0	0	0	0		5,890
Derecognition disposals	0	0	0	(167)	0	0	0	(40,839)		(41,006)
As at 31 March 2019	37,861	16,068	67,557	6,982	2,801	22	1,139	146,297	13	278,740
Depreciation and Impairment										
As at 1 April 2018	15,379	0	530	3,661	1,116	11	260	0	0	20,957
Depreciation	2,802	520	2,130	588	444	3	130	0	0	6,617
Depreciation written out to the Revaluation Reserve	0	(497)	(1,986)	0	0	0	(79)	0	0	(2,562)
Depreciation written out to the Surp/Def on the Provision of Services	0	(23)	0	0	(1,560)	0	(390)	0	0	(1,973)
Reclassification	0	0	(79)	0	0	0	79	0	0	0
Disposals	0	0	0	(47)	0	0	0	0	0	(47)
As at 31 March 2019	18,181	0	595	4,202	0	14	0	0	0	22,992
Net Book Value										
As at 31 March 2019	19,680	16,068	66,962	2,780	2,801	8	1,139	146,297	13	255,748
As at 31 March 2018	23,568	11,091	70,534	2,750	4,441	11	1,886	104,753	0	219,034

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

5. Intangible Assets

2018/19				2019/20		
Goodwill on Consolidation	Licences & Fab 4D Film	Total		Goodwill on Consolidation	Licences & Fab 4D Film	Total
£000s	£000s	£000s		£000s	£000s	£000s
2,803	1,825	4,628	Cost or valuation:	2,803	1,747	4,550
(1,108)	(694)	(1,802)	Opening balance:	(1,108)	(761)	(1,869)
1,695	1,131	2,826	Gross carrying amount	1,695	986	2,681
			Accumulated amortisation			
			Opening net carrying amount			
			Additions, amortisation, impairment and reclassification			
0	130	130	Additions	0	456	456
0	(169)	(169)	Amortisation	0	(184)	(184)
0	(106)	(106)	Disposal	0	0	0
1,695	986	2,681	Net carrying amount at end of year	1,695	1,258	2,953
			Comprising:			
2,803	1,747	4,550	Gross carrying amount	2,803	2,203	5,006
(1,108)	(761)	(1,869)	Accumulated amortisation	(1,108)	(945)	(2,053)
1,695	986	2,681		1,695	1,258	2,953

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 2020. The recoverable amount of The Beatles Story is determined on a value in use basis using discounted cash flow projections based on historical financial outturns and consideration of the likely impact of COVID-19.

Some sensitivity analysis was then applied to these assumptions resulting in little change to the original values. The resultant calculation showed the value of implied goodwill was consistent with that shown in the group balance sheet and no impairment was required for 2019/20.

6. Short Term Debtors

2018/19 £'000		2019/20 £'000
2,988	Trade Receivables	1,982
1,416	Prepayments	3,096
95,758	Other	106,575
100,162	Total	111,653

7. Short Term Creditors

2018/19 £'000		2019/20 £'000
64	Trade Payables	43
40,522	Other Payables	32,084
40,586	Total	32,127

8. Leases

Merseytravel as Lessee

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

2018/19 £'000		2019/20 £'000
11,438	Not later than one year	8,179
0	Between one and five years	4,965
0	Over five years	0
11,438	Total	13,144

Merseytravel's subsidiary company MPTS has an operating lease for the rental of Merseyrail rolling stock. There is a back to back lease with Merseyrail Electrics Limited (MEL) who fully reimburses the cost of this lease. The lease with Angel expired in December 2018. An extension to the lease until 2023/24 was agreed in the financial year.

Merseytravel as Lessor

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

Restated 2018/19 £'000		2019/20 £'000
11,750	Not later than one year	8,323
1,233	Between one and five years	5,497
2,092	Over five years	656
15,075	Total	14,476

The 2018/19 comparatives have been restated to reflect Angel trains lease payments due in respect of existing rolling stock.

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

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.

10. Contingent Assets and Liabilities

Contingent liabilities are disclosed in note 27 in the single entity accounts. There are no further contingent liabilities for the group.

11. Cashflow

Cash Flow Statement Operating Activities

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

2018/19 £'000		2019/20 £'000
6,787	Depreciation and amortisation	6,279
(7,240)	Increase/(decrease) in creditors and provisions	(508)
7,875	Revaluation losses	0
41,064	NBV of disposals	227
24,339	(Increase)/Decrease in debtors	(11,483)
21	(Increase)/decrease in inventories	(495)
4,940	Movement in pension liability	11,064
(5,890)	Donated assets	0
(3)	Other non-cash items charged to the net surplus on the provision of services	0
71,893		5,085

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

2018/19 £'000		2019/20 £'000
(63,122)	Grants received for the financing of capital expenditure	(39,050)
(63,122)		(39,050)

Cash Flow Statement Investing Activities

2018/19 £'000		2019/20 £'000
(102,554)	Purchase of property, plant and equipment and intangible assets	(48,262)
88,751	Other receipts from investing activities	54,905
(13,803)		6,643

GLOSSARY OF FINANCIAL TERMS

Accounting Policies

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

Accruals

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

Agent/Agency

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

Amortisation

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

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

The technique is supported by relevant accounting policies and practices.

Amortised Cost

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

Capital Expenditure

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

Capital Financing Requirement (CFR)

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

Capital Receipts

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

Carrying Amount

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

Cash Equivalents

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

Cash Flows

Inflows and outflows of cash and cash equivalents.

Community Assets

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

Contingent Asset

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

Contingent Liability

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

Creditors

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

Credit Risk

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

Current Replacement Cost

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

Current Service Cost (Pensions)

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

Curtailment (Pensions)

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

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

Debtors

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

Defined Benefit Plan

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

Depreciated Replacement Cost (DRC)

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

Depreciation

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

Discretionary Benefits

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

Existing Use Value (EUV)

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

Fair Value

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

Financial Instrument

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

Typical financial instruments are:-

(i) Liabilities

- Trade payables
- Borrowings
- Financial Guarantees

(ii) Assets

- Bank deposits
- Trade receivables
- Loans receivable
- Investments

Finance Lease

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

Financing Activities

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

Going Concern

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

Government Grants and Contributions

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

Heritage Assets

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

Historical Cost

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

IAS19

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

Impairment

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

Infrastructure Assets

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

Intangible Fixed Asset

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

Interest on Plan Assets (Pensions)

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

Interest on Plan Liabilities (Pensions)

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

Inventories

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

Investing Activities

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

Liquidity Risk

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

Market Risk

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

Market Value

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Material/Materiality

Omissions or mis-statements are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements.

Materiality depends on the size of the omission or mis-statement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Net Book Value

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

Net Realisable Value

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

Non-Current Assets

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

Non-Operational Assets

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

Operating Activities

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

Operating Leases

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

Past Service Cost/Gain (Pensions)

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

Plan Liabilities (or plan defined benefit obligations)

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

Price Risk

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

Projected Unit Credit (Actuarial Cost) Method

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

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

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the method is given in the Guidance Note GN26 issued by the

Faculty and Institute of Actuaries. Under this method, the current service cost will increase as members of the plan approach retirement.

Provisions

A liability of uncertain timing or amount.

Refcus (Revenue Expenditure Financed From Capital Under Statute)

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

Related Parties

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

Related Party Transaction

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

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

Re-Measurement (Pensions)

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

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

Remuneration

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

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

Retirement Benefits

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

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

Revenue Expenditure

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

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

Senior Employees

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

Settlement (Pensions)

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

Termination Benefits

Amounts payable as a result of either:

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

Useful Life

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