



Merseytravel

Statement of Accounts 2023/24
(Subject to Audit)

TABLE OF CONTENTS

	Page No.
Narrative Report by the Executive Director Corporate Services	2
Statement of Responsibilities for Merseytravel's Statement of Accounts	11
Annual Governance Statement	12
Independent Auditor's Report to the Members of Merseytravel	27
Primary Single Entity Financial Statements	
Movement in Reserves Statement	29
Comprehensive Income and Expenditure Statement	31
Balance Sheet	32
Cash Flow Statement	33
Notes to the Primary Statements	34
Group Accounts	73
Glossary of Financial Terms	87

NARRATIVE REPORT BY THE EXECUTIVE DIRECTOR CORPORATE SERVICES

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

The Statement of Accounts that follow demonstrates Merseytravel's financial performance for the financial year ending 31 March 2024. 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 2023/24.

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 Executive Director Corporate Services for the production and content of the Annual Statement of Accounts.

Annual Governance Statement

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

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement (CIES)

This statement shows the cost of providing services in accordance with generally accepted accounting practices as opposed to the amounts to be funded from the grant it receives from the Combined Authority. Whilst the position detailed in the CIES will differ from that shown in Merseytravel's management reporting, the levy position is detailed through the Movement in Reserves and Expenditure and Funding Analysis.

Balance Sheet

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

Cash Flow Statement

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

Notes to the Financial Statements

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

Group Accounts

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

Financial Performance

Revenue Expenditure 2023/24

Merseytravel's budget was approved on 23 January 2023, following approval of the Combined Authority's budget on 20 January 2023. The 2023/24 transport levy of £102.283m was agreed by the Combined Authority; this informs the level of grant that can be provided to Merseytravel. The grant to Merseytravel to support its provision of transport functions was set at £87.523m, and a separate grant of £23.413m approved to support the operation of the Mersey Tunnels. The table below compares the actual spend against the revised budget for 2023/24:

	Revised Budget £'000	Outturn £'000	Variance £'000
Bus Services	25,613	28,214	(2,601)
Rail Services	9,093	(11)	9,104
Hubs	2,404	2,406	(2)
Rolling Stock	(5,301)	(5,448)	147
Mersey Ferries	2,099	1,471	628
Mersey Tunnels	18,942	15,885	3,057
Customer Delivery	4,021	3,518	503
Concessionary Travel	42,384	40,966	1,418
Policy & LTP	563	616	(53)
Asset Management	7,359	7,692	(333)
LCRCA Recharges to Merseytravel	8,942	8,178	764
Corporate Costs	(1,179)	(891)	(288)
Total Expenditure	114,940	102,596	12,344
Funded by:			
Merseytravel Grant	(87,104)	(87,104)	0
Mersey Tunnels Grant	(24,315)	(23,547)	(768)
Merseytravel Reserves	(3,521)	8,055	(11,576)
Total Income	(114,940)	(102,596)	(12,344)
Net transfer (to)/ from Reserves	0	0	0

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 Usable Reserve Balances is detailed below.

	2022/23 £'000	In Year Movement £'000	2023/24 £'000
Capital Reserves	5,708	(527)	5,181
Earmarked Usable Reserves	50,036	9,141	59,177
General Fund Balances	8,533	(1,085)	7,448
Subsidiary Reserves	738	611	1,349
Total	65,015	8,140	73,155

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

Capital Expenditure 2023/24

Merseytravel spent £68.628m on capital during 2023/24 (compared to £90.765m in 2022/23). This expenditure is summarised below.

2022/23 £'000		2023/24 £'000
58,839	Revenue Expenditure Funded from Capital under Statute	39,635
1,237	Non-Current Assets (Property Plant and Equipment)	14,318
28,549	Assets under Construction	11,731
193	Intangible Assets	1,599
1,947	Non-Current Assets (Infrastructure)	1,345
90,765	Total	68,628

The table below details the funding of the capital programme.

2022/23 £'000		2023/24 £'000
90,710	Capital Grants	68,102
55	Application of Reserves	526
90,765	Total	68,628

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 2023/24.

	£'000
Rolling Stock Programme	18,589
Headbolt Lane Gateway	16,119
Hydrogen Bus	11,876
Ferries - New Vessel Build	7,890
Lea Green Park & Ride	4,404
Liverpool Baltic	2,059

2023/24 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.

2023/24 Outturn Performance

The 2021-24 Liverpool City Region Combined Authority Corporate Business Plan is based on five priorities, with each Priority underpinned with Business Plan delivery activities and supporting Service Plans. The Priorities for 2023/24 are:



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

The LCRCA has a performance management framework driven by its key priorities for 2023/24. A set of performance measures have been developed to track progress against key priorities. Where possible, targets are set which aim to challenge the organisation and drive continuous improvement.

Each priority has specific delivery activities and monitoring information is collected and reported to the Chief Executive on a quarterly basis. Monthly updates on operational performance are also provided to the Executive Leadership Team. A RAG system is used to oversee the delivery and management of the activities/priorities, as shown below.

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

For each of the five corporate priorities, progress is tracked, and a RAG rating applied accordingly. The table below provides an overview of performance at the end of Quarter 3 2023/24:

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

Some key achievements and interventions delivered in relation to corporate priorities during 2023/24 are highlighted below.

Priority 4: A Connected City Region

Investment approved to deliver Smart Ticketing

Almost £10m investment has been approved to deliver ambitions to build an integrated London-style transport network with a simplified, cheaper ticketing system. Part of this investment has gone towards the continued development towards a tap-and-go ticketing system, of which plans have progressed this financial year, with steps being taken towards ensuring the infrastructure and technology are in place ahead of launching the service at all Merseyrail stations.



Rollout of Liverpool City Region's new Rolling Stock



LCRCAs new £500m fleet of publicly owned trains continued to be rolled-out during this financial year, with the Southport to Hunts Cross line being the final service in the roll-out. The new fleet of trains have been crowned 'Design, Engineering and Construction Project of the Year' at this year's National Transport Awards, with judges left "impressed and excited" by the project. This year also saw the opening of the brand new £80m station at Headbolt Lane station, a fully accessible station, served by pioneering battery-technology on the city

region's new trains. This is the first passenger rail service in the UK to be operated using battery-technology and opens up the opportunity of future expansion of the network beyond the city region. Over 20,000 people in the Northwood and Shevington areas of Kirkby are set to benefit from having the new rail service on their doorstep.

Bus franchising got the go ahead following formal public consultation

Following a formal consultation this financial year with local residents, businesses, trade unions and stakeholders, in which more than 6,000 people took part with nearly 70% supporting a franchise model, plans to introduce bus franchising got the go ahead. Franchising will offer the best opportunity for the LCRCAs to deliver on its ambitions for quick and reliable journeys, a comprehensive integrated bus network, simpler ticketing, great value fares and an emission free fleet, as set out in its Bus Service Improvement Plan. With the borough of St Helens set to be the first in the region to see franchised services, a four-week public engagement was launched towards the end of this year, in which 834 people responded (of whom 70% lived in St Helens). Residents were invited to give feedback on bus connections they would like to see and potential future improvements to the network that might encourage them to use buses more frequently.



With the borough of St Helens set to be the first in the region to see franchised services, a four-week public engagement was launched towards the end of this year, in which 834 people responded (of whom 70% lived in St Helens). Residents were invited to give feedback on bus connections they would like to see and potential future improvements to the network that might encourage them to use buses more frequently.

Mersey Ferries had a successful year for sales



Mersey Ferries experienced continued success of its River Explorer Cruise, following a boost in visitors to the popular attraction. Tickets sales increased by more than 12% in Summer 2023, beating those of pre-pandemic levels, and securing the iconic Ferries as a 'must see' in the Liverpool City Region. This year, it was also announced that the first new Mersey Ferry for more than 60 years will be built entirely within the Liverpool City Region, after more than a year of detailed negotiations between the Combined Authority and Cammell Laird

that will see the new vessel being constructed solely at the firm's Birkenhead shipyard.

Risks and Opportunities

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

Over the last two years there has been an unprecedented surge in inflation which has led to increasing cost pressures across all aspects of Merseytravel service. High inflation has led to higher utility costs, pay awards and a general increase in the cost of buying goods and services. At a macro level during 2023/24 Merseytravel was able to manage these pressures within its overall budget, however, whilst inflation is projected to reduce, it still remains above the 2% target and with continued high inflation there is a strong likelihood that pay claims and the cost of goods and services will remain elevated which could place further pressure on the budgets for 2024/25. Whilst central inflationary provision has been made at the group level to deal with these pressures, these will need to be carefully managed.

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

As part of the City Region Sustainable Transport Settlement, Merseytravel is responsible for directly delivering a significant proportion of the overall programme. Whilst this presents an exciting opportunity to improve the public transport infrastructure across the City Region, the challenge will be to ensure there is sufficient capacity within the organisation to deliver on these key projects.

Future Developments and Outlook

The Combined Authority is working to update its Corporate Plan to cover the period 2024–2028; Merseytravel's activities will aid in the delivery of key aspects of the Combined Authority's Corporate Plan.

The city region's transport infrastructure is a fundamental economic enabler, connecting people to work, education, public services and leisure. Following the decision in 2023, by the Mayor, to proceed with a franchising model for the region's bus network, work will continue to progress this in line with the commitment to implement this within the 2024-28 Mayoral term. Capital investment will continue over the next twelve months leading to enhanced travel hub and station accessibility and continued fleet improvements and modernisation.

As the transport delivery arm of the Combined Authority, Merseytravel receives funding for both revenue and capital activities from the Combined Authority. For 2024/25 a capital programme of £113.849m to support the delivery of the major transport interventions and a revenue budget of £110.263m were approved. Funding for the Merseytravel budget flows from the Combined Authority in the form of grants funded from Transport Levy and Tunnel Tolls and from major capital grants including the City Region Sustainable Transport Settlement (CRSTS). In 2024/25 Merseytravel will receive an operational grant of £84.094m and a Tunnels grant of £26.169m; for capital activities a capital grant of £113.849m was approved.

In balancing the budget for 2024/25 savings have been factored into the transport budgets. The medium term financial position of the Combined Authority is such that to ensure a balanced budget position is maintained over the next four to five years, it is likely that even with additional resources, the current levels of service provision will become unsustainable and there will be a need to review service levels and policy decisions to ensure transport services remain affordable. As part of the 2024/25 budget setting process, officers have identified a number of options to be progressed over the next twelve months. The Combined Authority and relevant Committees will be fully involved throughout the process as appropriate. It is currently anticipated that there may be a requirement to use revenue reserves to support the transition to a reformed bus market and potentially to mitigate the risks around network support that exist within bus services; any use of reserves will be subject to appropriate decision making.

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

John Fogarty (CPFA)
Executive Director Corporate Services
31 May 2024

STATEMENT OF RESPONSIBILITIES FOR MERSEYTRAVEL'S STATEMENT OF ACCOUNTS

Merseytravel is required to:

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

Responsibilities of the Executive Director Corporate Services

The Executive Director Corporate Services is responsible for the preparation of Merseytravel's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ("The Code"). The Statement of Accounts is required to present fairly the financial position of Merseytravel at the accounting date and its income and expenditure for the year end 31 March 2024. In preparing this statement of accounts, the Executive Director Corporate Services has:

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

The Executive Director of Corporate Services has also:

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

Responsible Financial Officer's Certificate

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of Merseytravel as at 31 March 2024 and its income and expenditure for the year ended 31 March 2024.



John Fogarty (CPFA)
Executive Director Corporate Services
31 May 2024

ANNUAL GOVERNANCE STATEMENT 2023/24

1. INTRODUCTION

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

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

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

The definition used by the guidance states:

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

The Annual Governance Statement 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 described has been in place at Merseytravel for the year ended 31 March 2024 and up to the date of approval of the Statement of Accounts.

2. SCOPE OF RESPONSIBILITY

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

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

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

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

3. PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

4. OVERALL GOVERNANCE FRAMEWORK

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

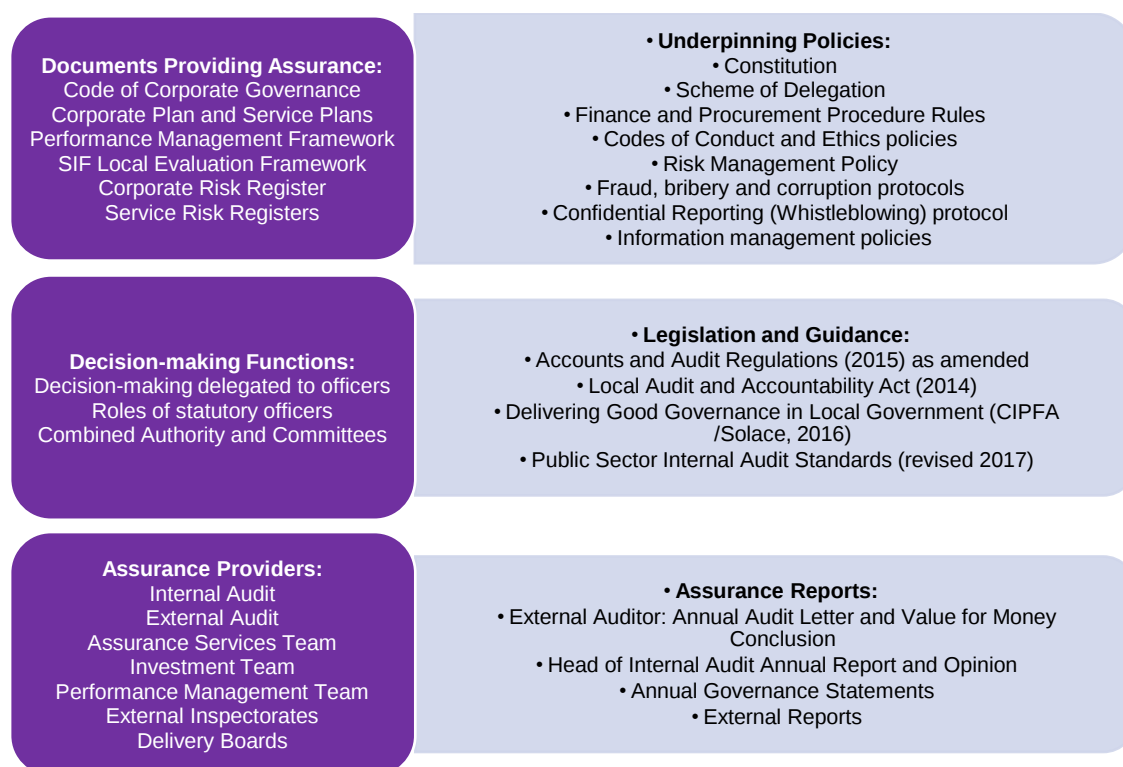
The Combined Authority was established by the Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority Order 2014, under the provisions of the Local Democracy, Economic Development and Construction Act 2009. It became a Mayoral Combined Authority in 2017. The Combined Authority is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

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

The Combined Authority sets the Transport Levy (paid by the Constituent Authorities), approves tunnels tolls and other fees and charges levied by Merseytravel and thus approves operational grants to Merseytravel to allow it to fulfil its responsibilities in providing transport services. Merseytravel is responsible for the implementation of the policies of the Combined Authority and, under the Transport Act 1968, retains its status as a distinct statutory body. Despite its separate statutory status, for all practical purposes, there is little distinction between the Combined Authority and Merseytravel. Some of the Executive Directors of the Combined Authority are also the Director General and Directors of Merseytravel. The statutory functions of Head of Paid Service, Secretary (Monitoring Officer) and Director of Finance are fulfilled on a joint basis across the two organisations.

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

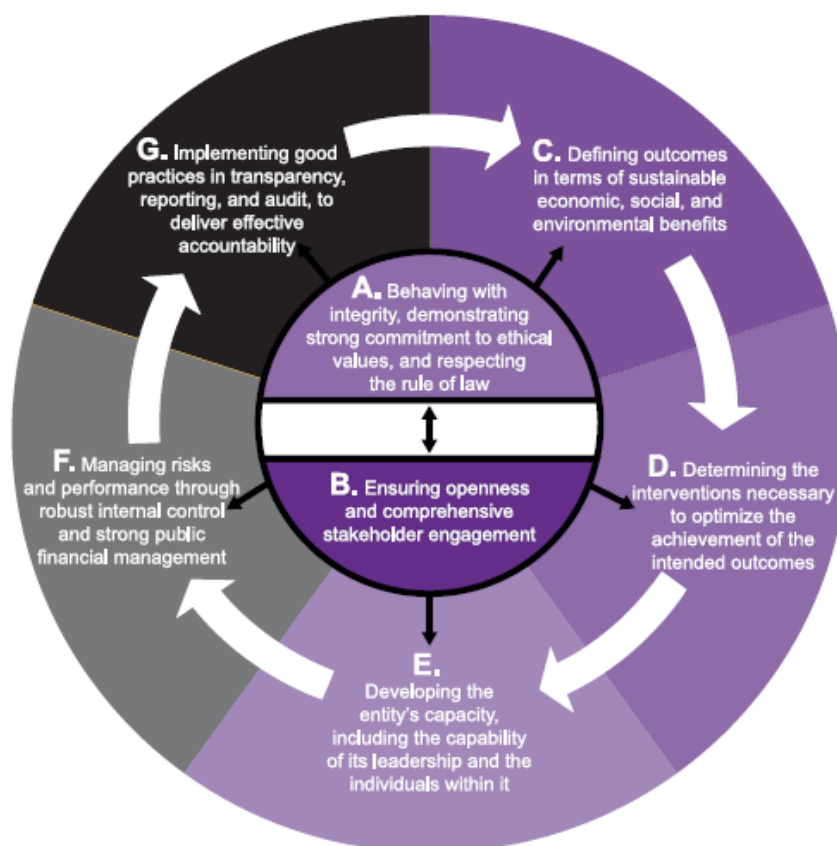
The key sources of assurance are:



5. REVIEW OF EFFECTIVENESS

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

The CIPFA/SOLACE guidance sets out the following seven core principles of good governance:



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

Merseytravel has conducted a review of its effectiveness against each of these principles, and this is detailed on the following pages.

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

The Merseytravel Constitution was updated and approved in January 2024; and a revised Officer Code of Conduct was approved in June 2021. Feedback from managers indicates an improved level of awareness of the Code.

A joint Code of Corporate Governance, including the Seven Principles of Public Life (the “Nolan Principles”), was updated, approved, and relaunched to all employees in June 2021.

Understanding and awareness of the Nolan Principles has improved in recent years; and there continues to be a focus to ensure the principles are embedded.

New employee induction “marketplaces” provide an opportunity to hear about the relevance of the Nolan Principles in the context of delivering the Corporate Plan and how these align with the organisation’s behaviours. These are held bi-monthly and are open to all new starters, those returning to the organisation as well as any employee who wishes to attend.

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

Legal advice is sought where required; no legal challenges were received in the year.

The Gifts, Hospitality and Declarations of Interest Procedure has been issued to employees via the policy delivery software. This is also held on the corporate intranet, along with the declaration forms and an annual reminder is sent to employees to complete declarations. Improvements are necessary to ensure that there is monitoring to provide assurance that all required declarations have been submitted.

The declaration of potential conflicts of interest is also a mandatory element of the procurement process.

The quality of, and compliance with, Equality Impact Assessment obligations have continued to improve during the year with the publication of guidance to assist officers, mandatory training for managers and the creation of a central review function.

The Combined Authority has continued to develop its approach to its social value responsibilities during the year. This has been supported by the delivery of mandatory training for managers and the incorporation of social value in procurement exercises. It is planned that measuring the achievement of social value will become more prominent in contract management in the forthcoming year, with the introduction of a framework based upon the National TOMs – Themes, Outcomes and Measures – a framework for delivering excellence in measuring and reporting social value.

Core Principle B: Ensuring openness and comprehensive stakeholder engagement

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

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

During the year, plans for bus reform continued, with completion of the statutory consultation with communities and passengers, culminating in the decision, taken by the Combined Authority and the Mayor in October 2023, to pursue the franchising model.

The compilation of the Local Transport Plan continued, using the feedback from the extensive consultation on the Vision and Goals document conducted in 2022/23. A further consultation on the draft plan is due to be undertaken in 2024/25, once Government guidance has been published, in advance of the final document being presented for Combined Authority approval later in that year.

To achieve the commitments set out in the Combined Authority's Equality Strategy, the Portfolio Holders for Equality, Diversity, and Inclusion established four new Equality Panels, which were launched in January 2023. The panels cover gender, race, disability and LGBTQIA+. The Panels reflect the diversity of the City Region, with broad representation across protected characteristics and localities. The panels have met regularly during the year, including at an Away Day in February 2024. The Mayor and Chief Executive meet bi-annually with Panel Chairs to give and receive feedback, share views and set direction. During the year, the Panels considered items of policy development in the following areas:

- Spatial Development Strategy
- Bus Reform
- Investment Zones
- Long Term Skills Plan
- Accessibility Guidance
- Positive Recruitment
- Neurodiversity.

The Transport Delivery Board, an officer forum, has met monthly during the year, to consider matters in advance of determination by the Merseytravel Board or alternatively, depending on value, the Delegated Decision-making system of Merseytravel.

The Combined Authority's Transport Committee has met five times during the year and provides scrutiny of transport activities, including the Merseytravel budget. Officers are actively involved in providing briefings to members of the Transport Committee and to the Portfolio Holder for Transport and the Portfolio Holder for Net Zero and Air Quality.

Regular update reports on key modes of transport are presented to the Transport Committee and the Combined Authority for their information and consideration. The Transport Committee continues to provide oversight and scrutiny of key transport activity. Elected member queries are responded to within an appropriate timescale.

Minutes of Transport Committee meetings and rationale to support decisions are made available to stakeholders.

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

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

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

A Net Zero Carbon Delivery Board, comprised of officers, has been established to monitor progress and ensure that zero carbon objectives are reflected throughout the broadest range of Combined Authority and Merseytravel activity. The five-year Net Zero Action Plan was approved by the Combined Authority in July 2023, and implementation of the action plan in relation to achieving the City Region's net zero carbon target for those aspects directly delivered or commissioned by the organisation has made positive progress during the year. Key projects include decarbonisation of public buildings, retrofit of energy efficiency measures to homes across the City Region and the continued decarbonisation of public transport.

Through funding secured via Transforming Cities Fund, Merseytravel has invested in innovative battery technology that allows some of the new rolling stock fleet to operate without using third rail (i.e. not using electricity). The roll-out of the new trains continued during the year, with the objective that the whole fleet will be in service during 2024/25. This marks a significant milestone in this key strategic project.

Work on the Tidal Energy project has continued, and in March 2024 the Combined Authority took the decision to progress the project to the formal development stage.

Considerable progress has been made towards the City Region's ambition for sustainable hydrogen fuel technology both in terms of the investment strategy and in direct procurement. The City Region has taken delivery of a fleet of twenty hydrogen buses, and these are progressing towards roll-out in 2024/25.

In March 2024, the Combined Authority was successful in achieving Zero Emission Bus Regional Area (ZEBRA) funding, which will be used to fund the purchase of electric-powered buses.

Considerable progress continues to be made in respect of Active Travel, including the continued development of improved cycling, walking and wheeling infrastructure.

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

Further strengthening of evidence-based policymaking has occurred during the year.

Training and workshops on risk management took place to develop the level of organisational understanding of implications and risks associated with decision-making and report-writing.

Legal and financial implications are considered as part of the decision-making process. This has strengthened during the year with the continued use of the revised Committee report template, which supports transparency and consistency, and the delivery of training to managers on decision-making.

There is continued risk in relation to the commercial viability of transport operators and the Transport Funding Model because of the continued recovery from the pandemic and global/national economic pressures.

The Combined Authority recommended, and the Mayor took the decision in October 2023, to pursue franchising as its delivery model for bus reform. During 2024/25, the organisation will use the outcomes from the statutory consultation to begin to shape the delivery options for a franchise model of bus governance for the City Region.

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

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

Core Principle E: Developing capacity and capability, including the capability of its leadership and the individuals within it

Capacity continues to be developed across the Combined Authority with particular focus on accelerating delivery. Allied to this, an area of continued focus of attention is the work supporting each constituent Local Authority in its capacity to deliver, particularly at the pre-development stages of projects.

Having a pipeline of schemes and the organisational capacity to deliver continues to be critical to the Combined Authority's ability to meet its obligations under its Devolution Deal. It is the role of Merseytravel to deliver on behalf of the Combined Authority, in conjunction with Local Authorities, the schemes supported by this funding and other funding sources such as the Transport Levy. The successful bid for Level 4 Devolution was seen as a vindication of the Combined Authority's ability to meet its obligations and ensuring that the Combined Authority can deliver these new devolution requirements and opportunities continues to be a key priority.

A constant challenge is that while capital funding is available, the revenue funding needed to manage this is limited. This is because funding is often only available on a bidding basis and not as a single settlement.

During the year, the organisation has made significant progress in implementing "In Shape to Deliver" - the Combined Authority's internal business transformation programme. The programme aims to deliver efficiencies which will create financial savings and support the creation of organisational capacity. A main strand of the programme is the implementation of a streamlined HR system, as well as examination of administrative processes to identify opportunities to create capacity, and developments within the Asset Management function.

It has been identified that some role descriptions are not up to date. Where this is as a result of organisational transformation, this will be reviewed as part of the transformation process. Otherwise, these will be subject to continuous review, and annually as part of the Individual Performance Plan (IPP) process.

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

Acceptance rates of organisational policies have improved; and acceptance rates overall are high at 91%. However, there is greater clarity required as to what constitutes a key corporate policy. A number of policies are also overdue and require review and updating, and this will need to be addressed in 2024/25.

There is a defined programme of corporate e-learning, which covers key responsibilities. All employees are required to complete the following: Health and Safety Introduction, Cyber Crime, Equality in the Workplace, Fraud Awareness, Fire Safety, Introduction to General Data Protection Regulation (GDPR) and Freedom of Information (FOI). Completion rates for e-learning across the organisation continue to improve; however, there is a small number of employees who have not completed each of the mandatory modules. Systems are being developed to improve the information for senior management on the level of completion of training, to enable targeted follow-up of non-completion.

During the year there has been a continued focus on training and development of senior leaders and managers via the Leadership Development Programme, and there have been meetings of the Collaborative Leadership Team to continue to embed the learning from the training and build collective and accountable leadership. A Team Leader Development Programme has also been established for all team leaders and front-line managers to participate in to develop their leadership and management skills. In addition, a programme of “Management Essentials” training, mandatory for all those in management roles, has been introduced, covering key skills required by managers.

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

An Employee Survey was conducted during the year. The surveys are facilitated by an external provider, which enables comparison and benchmarking with other organisations. This resulted in a higher overall score from the last survey conducted in Summer 2022, moving from “One to Watch” to a one star “Very Good” rating. Actions continue to be progressed to address the findings.

IPPs are undertaken annually, and these identify training needs. Training needs identified from the IPP process are not always addressed in a timely manner, and this continues to be a priority.

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

Elected members received appropriate training and they are briefed before meetings.

Steps have continued to be taken by the organisation to maintain the health, safety, and wellbeing of its employees. Managers across the organisation highlighted that team members are given the opportunity, on a regular basis, to raise and/or discuss matters relating to health, safety and wellbeing and support is in place via the Employee Assistance Programme. Health and safety risk assessments are in place.

Display Screen Equipment (DSE) risk assessments are completed for office and home working, reflecting the hybrid working model adopted by many employees.

It is a continued focus that all employees are aware of cybercrime risk via completing the relevant training.

An area for continued focus is maintaining, developing, and testing business continuity arrangements, and ensuring business continuity plans are updated to reflect changes in the organisation and the outcomes of testing exercises. During the year, the Emergency Planning College delivered a comprehensive programme of business continuity training to the Senior Leadership Team and members of the internal Resilience Group. Business continuity arrangements are being further reviewed and developed as a result, and testing of business continuity plans has been undertaken during the year.

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

The Executive Leadership Team maintains the Corporate Risk Register, and this has been reviewed regularly during the year. The risks outlined in the Corporate Risk Register are strategic in nature, rather than operational; and therefore, have the greatest potential to prevent or frustrate the achievement of Corporate Plan priorities.

The Risk Management Policy was reviewed and updated during the year to clearly define roles and responsibilities and provide greater guidance to officers. At a corporate level, evidence is increasing to confirm these roles and responsibilities are becoming embedded, and there is much greater understanding of risk at all levels.

The Risk Group continues to support the process; engaging with Risk Champions from across the organisation to discuss key current and emerging risks.

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

Risk should be included as part of all reports presented to Merseytravel, and this is developing positively. The template report format includes a 'Risks and Mitigation' section for completion. A document entitled: "Guidance for Report Authors – Risk and Mitigation Section" produced by the Head of Internal Audit is available to support the effectiveness of the information included within Merseytravel and Committee reports. The risk information presented within reports is reviewed by the Risk Manager to ensure robustness of content, but this needs to be developed so that less intervention is required.

During the year, work was undertaken to develop and embed a more consistent approach to the reporting of corporate performance, and the outputs and outcomes arising from investment projects and programmes. A streamlined performance indicator framework has been introduced which provides key data for quarterly reporting to the Executive Leadership Team and elected members.

Fraud awareness training is available as an e-learning package, which has been completed by 86% of employees, and an appropriate Fraud, Bribery and Corruption Strategy is in place alongside supporting policies, including in respect of whistleblowing. However, completion of the training, and employee understanding of fraud responsibilities remains an area of focus.

Fraud risk sessions were delivered during the year as part of the awareness campaign for International Fraud Awareness Week 2023, and an internal Counter-Fraud Hub group was incepted during the year to continue to increase fraud risk awareness.

During the year, a self-assessment against the "Code of Practice on Managing the Risk of Fraud and Corruption in Local Government" (CIPFA, 2014) was undertaken. The self-assessment indicated 84% compliance with its requirements – which means that the organisation is meeting the standard set out in the guidance. One of the fundamental areas of focus arising from the assessment in the coming year is the need for the organisation to continue to identify and assess its fraud risks and ensure that appropriate measures are in place to manage these risks.

A self-assessment was undertaken in relation to the role of the Chief Financial Officer, reviewing assurance over compliance with the governance requirements detailed in “The Role of the Chief Financial Officer in Local Government” (CIPFA, 2016). The positive responses provided highlighted that key controls have operated effectively during the year.

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

A self-assessment has been undertaken in relation to the role of Senior Information Risk Owner (SIRO), reviewing assurance over compliance with the governance requirements detailed in “Local Public Services Data Handling Guidelines” (Public Services Network, April 2018). Proactive steps are being taken to strengthen arrangements across the organisation.

There was a small number of data breaches reported during the year. One of these related to a cyber-attack of an external provider and was reportable to the Office of the Information Commissioner, but no enforcement action was necessary. Managers have reported continued progress in employee awareness of how to report a data breach, should it be required, in accordance with the Information Security Incident Management Protocol.

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

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

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

Steps are taken to monitor customer complaints or other feedback and use this to inform the provision of services.

Merseytravel and the Combined Authority publishes on its website freedom of information requests received and responses provided. Work has been undertaken to provide as much information as possible on the Combined Authority website to reduce Freedom of Information (FOI) requests. All FOI/Data Protection requests during the year were responded to within statutory deadlines.

During the year, steps have been taken to ensure that outstanding Internal Audit recommendations are implemented, and significant improvements have been evident. There has been continued improvement in engagement in Internal Audit work during the year, supported by regular presentations by the Head of Internal Audit to the Executive Leadership Team on work undertaken, outcomes and recommendation progress.

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

The external auditor has provided the Value for Money Conclusion in respect of two prior years: 2021/22 and 2022/23. The conclusion was that these did not identify any significant weaknesses in value for money arrangements.

The Head of Internal Audit's opinion for 2023/24 was that the Merseytravel's arrangements for internal control, risk management and governance are adequate and that the capacity for improvement is good.

6. SIGNIFICANT GOVERNANCE ISSUES FROM AGS 2022/23

There were no significant governance issues reported in the Annual Governance Statement 2022/23.

7. SIGNIFICANT GOVERNANCE ISSUES

This Annual Governance Statement identifies that Merseytravel has effective arrangements in place; however, the organisation recognises 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, areas for development and focus have been outlined above and appropriate action is being taken to ensure these do not contribute to a future Significant Governance Issue.

8. CONCLUSION

Merseytravel is satisfied that appropriate governance arrangements are in place and that the governance arrangements in place in 2023/24 were appropriate to its resources and responsibilities in that year.

The arrangements in place in 2023/24 continued to focus on maintaining effective governance and delivery around Merseytravel's core activities.

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

9. CERTIFICATION




Richard McGuckin
Executive Director Place




John Fogarty (CPFA)
Executive Director Corporate Services

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERSEYTRAVEL

To be inserted on audit completion.

MERSEYTRAVEL SINGLE ENTITY ACCOUNTS

MOVEMENT IN RESERVES STATEMENT

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

	Usable Reserves £'000			Unusable Reserves £'000					Total Reserves £'000
	General Fund Balance	Other Earmarked Reserves	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	
As at 1st April 2023	8,533	55,744	64,277	33,210	393,137	15,359	(448)	441,259	505,536
Comprehensive Income and Expenditure Statement	28,026	0	28,026	9,343	0	14,847	0	24,190	52,216
Adjustments to the revenue resources *									
Pensions costs	(212)	0	(212)	0	0	212	0	212	0
Holiday pay	(91)	0	(91)	0	0	0	91	91	0
Charges for depreciation and amortisation of non-current assets	8,505	0	8,505	0	(8,505)	0	0	(8,505)	0
PPE Revaluation losses charged to the CIES	293	0	293	0	(293)	0	0	(293)	0
Revenue expenditure funded from capital under statute	39,635	0	39,635	0	(39,635)	0	0	(39,635)	0
Capital grants and contributions credited to the CIES	(68,102)	0	(68,102)	0	68,102	0	0	68,102	0
Total adjustments to revenue resources	(19,971)	0	(19,971)	0	19,668	212	91	19,971	0
Adjustments to capital resources									
Use of reserves to finance capital expenditure	0	(526)	(526)	0	526	0	0	526	0
Difference between fair value and historical cost depreciation	0	0	0	(1,205)	1,205	0	0	0	0
Total adjustments to capital resources	0	(526)	(526)	(1,205)	1,731	0	0	526	0
Transfer between reserves	(9,141)	9,141	0	0	0	0	0	0	0
Net Increase/(Decrease) in 2023/24	(1,086)	8,615	7,529	8,138	21,400	15,059	91	44,687	52,216
Balance as at 31st March 2024	7,448	64,358	71,806	41,348	414,537	30,418	(357)	485,946	557,752

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

MOVEMENT IN RESERVES STATEMENT

	Usable Reserves £'000			Unusable Reserves £'000					Total Reserves £'000
	General Fund Balance	Other Earmarked Reserves	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	
As at 1st April 2022	4,630	54,798	59,429	27,151	367,517	(82,013)	(578)	312,076	371,504
Comprehensive Income and Expenditure Statement	22,714	0	22,714	6,927	0	104,391	0	111,318	134,032
Adjustments to the revenue resources *									
Pensions costs	7,019	0	7,019	0	0	(7,019)	0	(7,019)	0
Holiday pay	(130)	0	(130)	0	0	0	130	130	0
Charges for depreciation and amortisation of non-current assets	7,174	0	7,174	0	(7,174)	0	0	(7,174)	0
Revenue expenditure funded from capital under statute	58,839	0	58,839	0	(58,839)	0	0	(58,839)	0
Capital grants and contributions credited to the CIES	(90,710)	0	(90,710)	0	90,710	0	0	90,710	0
Total adjustments to revenue resources	(17,809)	0	(17,809)	0	24,697	(7,019)	130	17,808	0
Adjustments to capital resources									
Use of reserves to finance capital expenditure	0	(55)	(55)	0	55	0	0	55	0
Difference between fair value and historical cost depreciation	0	0	0	(868)	868	0	0	0	0
Total adjustments to capital resources	0	(55)	(55)	(868)	923	0	0	55	0
Transfer between reserves	(1,000)	1,000	0	0	0	0	0	0	0
Net Increase/(Decrease) in 2022/23	3,905	945	4,850	6,059	25,620	97,372	130	129,182	134,032
Balance as at 31st March 2023	8,533	55,744	64,277	33,210	393,137	15,359	(448)	441,259	505,536

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2022/23 £'000				2023/24 £'000			Note
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
37,558	(16,934)	20,624	Bus Services	51,606	(20,401)	31,205	
192,898	(181,482)	11,416	Rail Services	186,251	(186,910)	(659)	
9,745	(3,623)	6,122	Customer Delivery	10,485	(3,002)	7,483	
57,635	(12,879)	44,756	Travel Concession	57,392	(14,667)	42,725	
1,570	(879)	691	Policy	1,665	(883)	782	
4,936	(1,439)	3,497	Corporate Management & Corporate Costs	2,906	(1,476)	1,430	
6,362	(403)	5,959	Mersey Ferries	5,473	(4)	5,469	
20,149	(19,433)	715	Mersey Tunnels	20,135	(20,135)	0	
330,852	(237,072)	93,780	Net Cost of Services	335,913	(247,478)	88,435	
	123		Other Operating Expenditure			127	7
	2,098		Financing and Investment Income			(931)	8
	(118,715)		Taxation and Non Specific Grant Income			(115,657)	10
	(22,714)		(Surplus) or Deficit on the Provision of Services			(28,026)	
	(104,391)		Remeasurement (Gains)/Losses on Pension Assets/Liabilities			(14,847)	
	(6,927)		Surplus on Revaluation Non Current Assets			(9,343)	
	(111,318)		Other Comprehensive Income and Expenditure			(24,190)	
	(134,032)		Total Comprehensive Income and Expenditure			(52,216)	

BALANCE SHEET

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

As at 31 March 2023 £'000		As at 31 March 2024 £'000	Note
423,498	Property, Plant and Equipment	451,769	16
326	Heritage Assets	326	
2,327	Intangible Assets	3,593	18
2,187	Loan to Subsidiary Company	1,981	19
15,359	Pension Asset	30,418	9
443,697	Long Term Assets	488,087	
624	Inventories	634	
126,304	Short term Debtors	103,361	20
42	Cash and Cash Equivalents	154	
126,970	Current Assets	104,149	
(54,188)	Short term Creditors	(27,836)	21
(2,155)	Provisions	(2,366)	
(5,635)	Grant Receipts in Advance	(1,335)	10
(61,978)	Current Liabilities	(31,537)	
(2,187)	Loan from Group Company	(1,981)	
(966)	Provisions	(966)	
(3,153)	Long term Liabilities	(2,947)	
505,536	Net Assets	557,752	
(64,277)	Usable Reserves	(71,806)	6
(441,259)	Unusable Reserves	(485,946)	5
(505,536)	Total Reserves	(557,752)	



Richard McGuckin
Executive Director Place
31 May 2024



John Fogarty (CPFA)
Executive Director Corporate Services
31 May 2024

CASHFLOW STATEMENT

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

2022/23 £'000		2023/24 £'000	Note
22,714	Net surplus/(deficit) on the provision of services	28,026	
9,219	Adjustments to net surplus on the provision of services for non-cash movements	1,079	24
(31,871)	Adjustments to net surplus on the provision of services for items which are investing and financing activities	(25,799)	24
62	Net cash inflows from Operating Activities	3,306	
(55)	Investing activities	(3,194)	24
7	Net increase in cash and cash equivalents	112	
35	Cash and cash equivalents as at 1 April	42	23
42	Cash and cash equivalents as at 31 March	154	

NOTES TO THE PRIMARY FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(i) General Principles

The Statement of Accounts summarises Merseytravel's transactions for the financial year 2023/24 and its position as at 31 March 2024. Merseytravel is required to prepare an Annual Statement of Accounts in accordance with the Accounts and Audit (England) Regulations 2015, which require the accounts to be completed in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts 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.

(ii) 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.

(iii) Agency Transactions

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

(iv) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

(v) Changes in Accounting Policies, Estimations, Errors and Prior Period Adjustments

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

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

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

(vi) Charges to Revenue for Non-Current Assets

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

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

Merseytravel is not required to raise levy to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by Merseytravel in accordance with statutory guidance (known as the Minimum Revenue Provision (MRP)). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the 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.

(vii) Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-employment Benefits

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

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

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

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

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

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year. These costs are allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. The costs are debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- The return on plan assets – (excluding amounts included in net interest on the net defined benefit liability (asset)) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- 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 – cash paid as employer contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

(viii) Events after the Reporting Period

Events after the Balance Sheet reporting period are those events, both favourable and unfavourable, that occur between the Balance Sheet date 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.

(ix) Fair Value Measurement

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

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

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

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

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

(x) Financial Instruments

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

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

Expected Credit Loss Model

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

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when Merseytravel becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The

effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

(xi) Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

(xii) Group Accounts

The financial statements comprise the accounts of Merseytravel and its subsidiary and associated undertakings as at 31 March 2024. Merseytravel has interests in a number of entities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. The financial

performance of those subsidiaries that are considered material are fully consolidated on a line-by-line basis from the date that Merseytravel obtains control, until the date that such control ceases. Uniform accounting policies are used in the preparation of the group accounts. For those active subsidiaries for which the financial performance is not deemed to be material, further information on these is included within note 15.

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

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

(xiii) 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 Balance Sheet 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.

(xiv) Heritage Assets

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

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

(xv) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by Merseytravel (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to

Merseytravel. Intangible assets are measured at cost and the balance is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement on a straight-line basis. An asset is tested for impairment whenever there is an indication that the asset may be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement (CIES). Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

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

Business combinations have been accounted for under IFRS 3 using the purchase method. Any excess over the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is initially recognised in the Comprehensive Income and Expenditure Statement and is not amortised. After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

(xvi) Interests in Companies and Other Entities

Merseytravel has material interests in companies and other entities that have the nature of subsidiaries which require it to prepare group accounts. In Merseytravel's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

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

This assessment determines whether the entity is accounted for as:

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

(xvii) 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.

(xviii) Leases

Leases are classed as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

Merseytravel as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

Merseytravel as Lessor

Operating Leases

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

(xix) 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.

(xx) Property Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure assets – modified form of depreciated historical cost with new expenditure added to the brought forward balance and depreciation deducted. In accordance with the temporary relief offered by the Code on infrastructure assets these financial statements do not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.
- Assets under construction – depreciated historical cost;
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; and
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

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

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

Disposal and Non- Current Assets Held for Sale

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

(xxi) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place on or before the Balance Sheet date:

- That gives Merseytravel a present obligation;
- That probably requires settlement by a transfer of economic benefits or service potential; and
- Where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation, if, taking account of all available evidence, it is more likely than not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

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

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

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

Contingent Liabilities

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

Contingent Assets

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

(xxii) Reserves

Merseytravel sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. 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; the reserve is then transferred back into the General Fund Balance so that there is no net charge for the expenditure.

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

(xxiii) Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

(xxiv) Value Added Tax (VAT)

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

2. Accounting Standards Issued but not yet Adopted

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

- i. IFRS 16 Leases issued in January 2016.
- ii. Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020.
- iii. Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022.
- iv. Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022.
- v. International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023.
- vi. Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023.

Item i. IFRS 16 Leases has a mandatory implementation date of 1 April 2024; this standard will have a material impact upon Merseytravel, however, a full assessment of the impact has yet to take place.

Items ii. to iv. above, whilst providing clarifications, they will not have a significant impact on the accounts. Items v. to vi. will not apply to Merseytravel.

3. Critical Judgements

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

- i. Merseytravel have examined all its significant lease agreements to establish whether these should be classed as operational or finance leases. Where the application of IAS 17 does not provide a definitive solution, judgement is applied in determining whether the lease is operational or financial. Based on this assessment all Merseytravel's leases have been assessed to be operational.
- ii. Group Accounts: Merseytravel has a number of interests in other entities which fall within the group boundary. Whilst some of these are deemed to be material and are therefore consolidated into the group accounts, others are considered not sufficiently material to warrant full group account disclosures. To ensure there is sufficient visibility on these arrangements, narrative disclosures on these arrangements are included in note 15.

4. Estimation and Uncertainty

The statement of accounts contains estimated figures that are based on assumptions made by Merseytravel about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant

factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates.

The items in Merseytravel balance sheet 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- i. Pension benefits: the cost of defined benefit pension plans is determined using an independent actuarial valuation, involving the use of assumptions about discount rates, returns on assets, future salary increases, mortality rates and future pension increases. Such assumptions are reviewed at each period end and determined jointly between the pension fund management and the actuaries. The details of the assumptions and sensitivity analysis relating to these assumptions can be found in Note 9 within the accounts.

5. Unusable Reserves

2022/23 £'000		2023/24 £'000
(33,210)	Revaluation Reserve	(41,348)
(393,137)	Capital Adjustment Account	(414,537)
(15,359)	Pension Reserve	(30,418)
448	Accumulating Absences Account	357
(441,259)	Total	(485,946)

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

Revaluation Reserve

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

- Re-valued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is charged with the cost of acquisition, construction or enhancement, as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by Merseytravel as finance for the costs of acquisition, construction and enhancement.

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

Pensions Reserve

2022/23 £'000		2023/24 £'000
82,013 (104,391)	Balance as at 1 April	(15,359) (14,847)
11,525	Remeasurements of the net defined benefit liability	
	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	3,817
(4,506)	Employers pension contributions and direct payments to pensioners payable in the year	(4,029)
(15,359)	Balance as at 31 March	(30,418)

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 Statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Reserve 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 General Fund Reserve is neutralised by transfers to or from the Account.

2022/23 £'000		2023/24 £'000
578 (578)	Balance as at 1 April	448 (448)
448	Settlement or cancellation of accrual made at the end of the preceding year	357
	Amounts accrued at the end of the current year	
448	Balance as at 31 March	357

6. Revenue and Earmarked Reserves

This note sets out the amounts set aside from the General Fund reserve in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2023/24.

	Note	Balance 1 April 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance 31 March 2023 £'000	Transfers Out 2023/24 £'000	Transfers In 2023/24 £'000	Balance 31 March 2024 £'000
Capital Reserves	a	(5,763)	55	0	(5,708)	526	0	(5,181)
Rail Franchise Reserve	b	(26,319)	1,800	0	(24,519)	0	(8,330)	(32,849)
Restructuring Reserve	c	(4,368)	0	0	(4,368)	0	0	(4,368)
OLR Reserve	d	(2,000)	0	0	(2,000)	0	0	(2,000)
Concessionary Travel Reserve	e	(4,631)	0	0	(4,631)	0	0	(4,631)
Bus Operations Reserve		(3,507)	0	0	(3,507)	0	(550)	(4,057)
Sustainable Transport Reserve	f	(225)	0	0	(225)	0	0	(225)
JVC P&L Reserve	g	(1,386)	0	0	(1,386)	0	0	(1,386)
Modernisation Reserve	h	(5,887)	0	0	(5,887)	0	0	(5,887)
Inflationary Reserve	i	(713)	0	0	(713)	0	0	(713)
Rail Reserve	j	0	0	(2,800)	(2,800)	0	0	(2,800)
Rail Maintenance Reserve	k	0	0	0	0	0	(262)	(262)
Total Earmarked Reserves		(54,799)	6,042	(2,800)	(55,744)	526	(9,141)	(64,358)
General Fund Reserve	l	(4,629)	0	(3,904)	(8,533)	1,086	0	(7,448)
Total Usable Reserves		(59,428)	6,042	(6,704)	(64,277)	1,612	(9,141)	(71,806)

- (a) The capital reserves are used to support the funding of the capital programme.
- (b) The rail franchise agreement reserve is used to support development of strategic transport initiatives.
- (c) The restructuring reserve is utilised to provide support to staffing cost implications of service transformation programmes.
- (d) The OLR (Operator of Last Resort) reserve has been created to provide funding should the incumbent rail operator experience difficulties in running the MEL franchise. In this instance Merseytravel has step in rights to allow it to take over the running of the franchise until a new operator can be found.
- (e) Operational reserves are used to support the current transport network and ticketing initiatives.
- (f) The sustainable transport reserve supports the Local Growth Fund initiatives surrounding the STEP programme.
- (g) The JVC P&L Reserve was established to protect Merseytravel from any potential losses arising from subsidiary activities.
- (h) The modernisation fund has been created to support organisational change and development and to invest to save.
- (i) This inflationary reserve has been set aside to provide some funding to help mitigate the impact of cost pressures on budgets.
- (j) The rail reserve has been created to provide a pot of funding to cover emerging rail related pressures and support small scale interventions in support of the implementation of the new fleet.
- (k) The rail maintenance reserve has been created to retain payment adjustments linked to the rail maintenance contracts, to be used or re-invested for customer benefit.
- (l) The general fund is general balances held to protect Merseytravel's financial position from unforeseen events.

7. Other Operating Expenditure

2022/23 £'000		2023/24 £'000
123	Pension administration costs	127
123	Total	127

8. Financing and Investment Income

2022/23 £'000		2023/24 £'000
11,202	Interest on Pension Liabilities	13,785
(8,968)	Pension Interest on Plan Assets	(14,619)
127	Interest Payable on Intercompany Loan	118
(127)	Interest Receivable on Intercompany Loan	(118)
(136)	Expected Credit Loss	(97)
2,098	Total	(931)

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.

2022/23 £'000		2023/24 £'000
	Net Cost of Service	
9,163	Current service cost	4,376
5	Past service cost	1
0	Effect of curtailments	147
	Other Operating Expenditure	
123	Administration expenses	127
	Financing and Investment Income	
2,234	Net interest expense / (income)	(834)
11,525	Total Post Employment Benefits Charged to the CIES	3,817

The following transactions are then recognised in the Movement in Reserves as Adjustments Between the Accounting Basis and Funding Basis under Regulation.

2022/23 £'000		2023/24 £'000
(11,525)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(3,817)
4,506	Employers contribution payable to the Scheme	4,029
(7,019)	Total	212

Pension Assets and Liabilities recognised in the Balance Sheet

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

2022/23 £'000		2023/24 £'000
(293,373)	Benefit obligation at the end of the period	(292,826)
308,732	Fair Value of plan assets at end of the period	323,244
15,359	Surplus/(Deficit) as at 31 March	30,418

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

2022/23 £'000		2023/24 £'000
323,633	Balance brought forward 31 March	308,732
8,968	Interest on plan assets	14,619
(17,040)	Remeasurements	8,379
(123)	Administration expenses	(127)
4,506	Employers contributions	4,029
1,700	Members contributions	1,741
(12,912)	Benefits/transfers paid	(14,129)
308,732	Balance 31 March	323,244

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

2022/23 £'000		2023/24 £'000
(405,646)	Balance brought forward 31 March	(293,373)
(9,163)	Current service cost	(4,376)
(5)	Past service cost	(1)
0	Curtailments	(147)
(11,202)	Interest on pension liabilities	(13,785)
(1,700)	Members contributions	(1,741)
121,431	Remeasurements (liabilities)	6,468
12,912	Benefits/transfers paid	14,129
(293,373)	Balance 31 March	(292,826)

The above reconciliation includes, in 2022/23, a significant remeasurement gain on the present value of scheme liabilities which was as a result of the triennial review.

As at 31 March the assets comprised:

31 March 2023 £'000					31 March 2024 £'000			
Quoted	Unquoted	Total	% of total		Quoted	Unquoted	Total	% of total
43,316	3,581	46,897	15	<u>Equities</u>	41,474	1,261	42,735	13
67,458	37,357	104,815	34	UK	76,578	44,509	121,087	37
				Global				
185	0	185	0	<u>Bonds</u>	1,500	0	1,500	0
185	0	185	0	Overseas Government	122	0	122	0
3,427	0	3,427	1	Collateralized Bonds	1,502	0	1,502	0
6,206	0	6,206	2	UK Government	3,024	0	3,024	1
25,316	0	25,316	8	UK Corporate	15,670	0	15,670	5
1,575	0	1,575	1	UK Indexed Linked (Gov)	2,294	0	2,294	1
0	(1,698)	(1,698)	-1	Overseas Corporate	0	68	68	0
				Derivative Contracts				
0	14,047	14,047	5	<u>Property</u>	0	15,063	15,063	5
309	9,632	9,941	3	UK Direct Property	273	12,951	13,224	4
0	9,818	9,818	3	UK Managed Property	0	10,463	10,463	3
				Global Managed Property				
31	10,620	10,651	3	<u>Alternatives</u>	34	15,302	15,336	5
0	19,851	19,851	6	UK Private Equity	136	17,347	17,483	5
31	0	31	0	Global Private Equity	0	102	102	0
0	7,718	7,718	2	UK Other Alternatives	0	8,282	8,282	3
0	16,949	16,949	5	Global Other Alternatives	0	20,687	20,687	6
0	9,509	9,509	3	UK Infrastructure	0	10,872	10,872	3
0	4,631	4,631	2	Global Infrastructure	102	4,805	4,907	2
556	10,404	10,960	4	UK Private Credit	443	12,167	12,610	4
0	1,111	1,111	0	Global Private Credit	0	1,261	1,261	0
				Global Multi Asset				
0	1,297	1,297	0	<u>Cash</u>	0	1,704	1,704	1
5,310	0	5,310	2	Goodhart	3,248	0	3,248	1
				Cash Instruments				
153,905	154,827	308,732	100		146,400	176,844	323,244	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 Mercer Limited, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme. The main assumptions used in their calculations are detailed in the table below.

31-Mar-23		31-Mar-24
	<u>Base Assumptions</u>	
2.70%	Rate of CPI inflation	2.70%
4.20%	Rate of increase in salaries	4.20%
2.80%	Rate of increase in pensions	2.80%
4.80%	Discount Rate	4.90%
	<u>Mortality Assumptions</u>	
22.6	Life expectancy of male future pensioner aged 65 in 20 years' time	22.2
25.5	Life expectancy of female future pensioner aged 65 in 20 years' time	25.2
21.2	Life expectancy of male current pensioner aged 65	20.9
23.7	Life expectancy of female current pensioner aged 65	23.4

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

	Central	+0.5% p.a. discount rate	+0.25% p.a. inflation	+0.25% p.a. pay growth	1 year increase in life expectancy	+1% change in 23/24 investment returns	-1% change in 23/24 investment returns
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities	292,826	273,517	302,985	294,783	300,513	292,826	292,826
Assets	(323,244)	(323,244)	(323,244)	(323,244)	(323,244)	(326,435)	(320,053)
(Surplus)/ Deficit	(30,418)	(49,727)	(20,259)	(28,461)	(22,731)	(33,609)	(27,227)
Projected service cost next year	4,192	3,630	4,499	4,192	4,307	4,192	4,192
Projected net interest cost for next year	(1,584)	(2,789)	(1,076)	(1,478)	(1,197)	(1,741)	(1,428)

Impact on Merseytravel's Cashflows

The objectives of the scheme are to keep employer's contributions at as constant and affordable a rate as possible. Merseyside Pension Fund has agreed a strategy with the scheme's actuary, with funding levels monitored on an annual basis. The most recent triennial valuation took place in the 2022/23 financial year and rates applied from 1 April 2023.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Act 2013. Under the Act, the Local Government Pension Scheme

in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or services after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

Merseytravel anticipates paying £3.833m in contributions to the scheme in 2024/25.

10. Grant Income

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

2022/23 £'000	Credited to Services	2023/24 £'000
(106,547)	Special Rail Grant	(124,518)
(1,520)	Bus Special Operator Grant	(1,516)
(17,362)	Mersey Tunnels Operating Grant	(20,052)
(58,839)	REFCUS	(39,549)
(5,370)	Covid Restart Grants	(1,253)
(288)	Transport Development Grant from LCRCA	0
(2,487)	Bus Services Improvement Plan Grant	(7,784)
(1,114)	Better Deal for Bus	(157)
(1,788)	Low Carbon Grant	0
(724)	Other Grants	(1,314)
(196,038)	Total	(196,143)

2022/23 £'000	Credited to Taxation and Non Specific Grant Income	2023/24 £'000
(86,844)	Merseytravel Grant	(87,104)
(31,871)	Capital Grants	(28,553)
(118,715)	Total	(115,657)

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:

2022/23 £'000	Grant Receipts in Advance	2023/24 £'000
(4,444)	Transforming Cities Funding	(789)
(252)	Smart Ticketing	(252)
(721)	Clean Bus Grant	(233)
(218)	Other	(61)
(5,635)	Total	(1,335)

11. Officers' Remuneration

Senior Officers Remuneration

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

		Salary (incl. Fees) £'000	Bonuses / Allowances £'000	Employers Pension Contribution £'000	Total Remuneration £'000
Executive Director Place (i)	2023/24	131	2	20	153
	2022/23	121	0	16	137
Executive Director Corporate Services(ii)	2023/24	69	0	11	79
	2022/23	66	0	9	75
Executive Director Corporate Development and Delivery(iii)	2023/24	53	0	10	63
	2022/23	49	0	8	57

- (i) The Executive Director Place incorporates the transport responsibilities associated with the Director General role but has a wider Combined Authority remit including Assistant Chief Executive responsibilities. Whilst a Combined Authority appointment, due to the significant transport responsibilities associated with this role, 75% of the salary and other remuneration is charged to Merseytravel with 25% of the costs being charged to the LCRCA.
- (ii) The Executive Director Corporate Services provides services for both Merseytravel and the Liverpool City Region Combined Authority. The Executive Director Corporate Services is formally employed by LCRCA and Merseytravel is recharged 50% of his salary and other remuneration.
- (iii) The Executive Director Corporate Development and Delivery provides services for both Merseytravel and Liverpool City Region Combined Authority and as such the salary is split 50/50 across both entities.

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.

2022/23	Remuneration Range	2023/24
26	£50,000 to £54,999	43
16	£55,000 to £59,999	17
17	£60,000 to £64,999	9
6	£65,000 to £69,999	18
1	£70,000 to £74,999	5
4	£75,000 to £79,999	2
1	£80,000 to £84,999	3
0	£85,000 to £89,999	0
0	£90,000 to £94,999	0
1	£95,000 to £99,999	1
2	£100,000 to £104,999	1
2	£105,000 to £109,999	2
0	£110,000 to £114,999	1
0	£115,000 to £119,999	0
1	£120,000 to £124,999	0
0	£125,000 to £129,999	0
0	£130,000 to £134,999	0
0	£135,000 to £139,999	0
1	£140,000 to £144,999	0
0	£145,000 to £149,999	1
78	Total	103

12. Exit Packages

	No. of Compulsory Redundancies		No. of other Departures agreed		Total No. of Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23 £'000	2023/24 £'000
£0 - £20,000	0	0	3	2	3	2	18	36
£20,001 - £40,000	0	0	0	1	0	1	0	25
£40,001 - £60,000	0	0	0	1	0	1	0	55
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	1	0	1	0	94
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	1	0	1	0	189
Total	0	0	3	6	3	6	18	399

13. Expenditure and Funding Analysis

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

2022/23 £'000				2023/24 £'000		
Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the CIES		Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the CIES
19,102	1,522	20,624	Bus Services	29,689	1,516	31,205
8,273	3,144	11,416	Rail Services	-4,632	3,973	-659
5,595	526	6,122	Customer Delivery	7,414	69	7,483
44,756	0	44,756	Travel Concession	42,725	0	42,725
631	61	691	Policy	778	5	783
204	3,293	3,497	Corporate Management & Corporate Costs	280	1,150	1,430
3,513	2,446	5,959	Mersey Ferries	2,968	2,501	5,469
0	715	715	Mersey Tunnels	(74)	74	0
82,074	11,706	93,780	Net Cost of Services	79,146	9,289	88,435
(86,924)	(29,569)	(116,494)	Other Income and Expenditure	(86,674)	(29,786)	(116,461)
(4,849)	(17,864)	(22,714)	Surplus or deficit	(7,528)	(20,497)	(28,026)
(59,428)			Opening Balance 1 April	(64,277)		
(4,849)			Surplus for the Year	(7,528)		
(64,277)			Closing Reserves at 31 March	(71,806)		

Note to the EFA 2023/24

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes £'000	Net change for Pension Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Bus Services	1,484	32	0	1,516
Rail Services	3,956	17	0	3,973
Customer Delivery	19	50	0	69
Travel Concession	0	0	0	0
Policy	0	5	0	5
Corporate Management & Corporate Costs	959	282	(91)	1,150
Mersey Ferries	2,466	35	0	2,501
Mersey Tunnels	0	74	0	74
Net Cost of Services	8,885	495	(91)	9,289
Other Income & Expenditure from the Funding Analysis	(29,079)	(707)	0	(29,786)
Difference between General Fund surplus or deficit and CIES surplus or deficit	(20,194)	(212)	(91)	(20,497)

Note to the EFA 2022/23

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes £'000	Net change for Pension Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Bus Services	1,185	336	0	1,522
Rail Services	2,949	195	0	3,144
Customer Delivery	20	506	0	526
Travel Concession	0	0	0	0
Policy	0	61	0	61
Corporate Management & Corporate Costs	888	2,535	(130)	3,293
Mersey Ferries	2,132	314	0	2,446
Mersey Tunnels	0	715	0	715
Net Cost of Services	7,174	4,662	(130)	11,706
Other Income & Expenditure from the Funding Analysis	(31,926)	2,357	0	(29,569)
Difference between General Fund surplus or deficit and CIES surplus or deficit	(24,753)	7,019	(130)	(17,864)

Adjustments for capital purposes

This column adds in depreciation, impairment and revaluation gains and losses in the service line and other income contributions that are not chargeable under proper accounting practice.

Net Changes for Pension Adjustments

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

Other Differences

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

Expenditure Analysed by Type

2022/23 £'000		2023/24 £'000
	Expenditure	
33,127	Employee benefits expenses	22,713
301,876	Other service expenses	325,046
7,174	Depreciation, amortisation, impairment	8,798
127	Interest payments	118
342,304	Total expenditure	356,675
	Income	
(45,465)	Fees, charges and other service income	(66,818)
(127)	Interest and investment income	(118)
(319,426)	Government grants and contributions	(317,766)
(365,018)	Total Income	(384,701)
(22,714)	(Surplus) or deficit on the Provision of Services	(28,026)

14. Audit Fees

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

2022/23 £'000		2023/24 £'000
0	External Audit fees in respect of prior years additional work	138
46	External Audit fees in respect of Merseytravel	114
46	Total	252

15. Related Party Transactions

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

Liverpool City Region Combined Authority (LCRCA).

Merseytravel is required to implement and administer transport policies determined by the LCRCA which means that LCRCA is Merseytravel's parent and ultimate controlling party. LCRCA provides Merseytravel with revenue and capital grants in support of its transport activities, be that revenue or capital. The revenue grant that is received by Merseytravel is funded through the transport levy made by LCRCA on the local authorities in Merseyside.

Group banking arrangements exist for LCRCA and Merseytravel with all investments made in the name of the LCRCA. As at 31 March 2024 Merseytravel single entity had short term deposits of £73.522m (£89.133m 2022/23) with LCRCA group. Balances are unsecured, interest free and settlement occurs in cash. No guarantees have been provided or received in respect of these sums.

Subsidiary Companies

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

Name	Parent	Holding	Nature of Business	% Equity Interest
Mersey Ferries Ltd	Merseytravel	Company limited by guarantee	Passenger transport	N/A
Merseyside Passenger Transport Services Ltd	Merseytravel	25 £1 ordinary shares 375 £1 5% non-cumulative preference shares	Leasing	100%
Accrington Technologies Ltd	Merseytravel	500 £1 ordinary shares	Smartcards	50.10%
Real Time Information Group Ltd	Merseytravel	1x £1 ordinary shares	Real Time Information Systems	100%
The Beatles Story Ltd	Mersey Ferries Ltd	290,000 £1 ordinary shares	Tourism	100%

Certain directors of Merseytravel are also directors of the above companies. Whilst these individuals are paid a salary by Merseytravel as detailed in note 11, no additional remuneration is received in respect of these directorships.

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

Accrington Technologies - during the last six financial years the company has not traded and has received no income and incurred no expenditure. As at 31st March 2024 the company had net assets of £5k and reserves of £5k.

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

16. Property Plant and Equipment

Movement on Balances 2023/24

		Other PPE							
	Infrastructure Assets	Freehold Property	Leasehold Property	Vehicles Plant and Machinery	Vessels	Surplus Assets	Assets Under Construction	Other PPE Total	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
As at 1 April 2023		16,570	69,671	106,759	3,630	1,254	208,763	406,648	
Additions	1,345	83	522	10,415	711	0	14,318	26,049	27,394
Revaluation inc/(dec) recognised in the Revaluation Reserve	0	1,221	4,422	0	(754)	875	0	5,764	5,764
Revaluation inc/(dec) recognised in the Surplus/Deficit on the Provision of Services	0	(199)	(66)	0	(787)	0	0	(1,052)	(1,052)
Reclassification	0	0	0	149,221	0	0	(149,221)	0	0
As at 31 March 2024		17,675	74,549	266,395	2,800	2,129	73,859	437,407	
Depreciation and Impairment									
As at 1 April 2023		0	0	6,478	1,187	0	0	7,666	
Depreciation	1,429	648	2,138	3,594	364	0	0	6,743	8,173
Depreciation written out to the Revaluation Reserve	0	(648)	(2,138)	0	(793)	0	0	(3,579)	(3,579)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	(759)	0	0	(759)	(759)
As at 31 March 2024		0	0	10,073	0	0	0	10,073	
Net Book Value									
As at 31 March 2024	24,434	17,675	74,549	256,322	2,800	2,129	73,859	427,333	451,769
As at 31 March 2023	24,518	16,570	69,671	100,281	2,443	1,254	208,763	398,982	423,498

Movement on Balances 2022/23

		Other PPE							
	Infrastructure Assets	Freehold Property	Leasehold Property	Vehicles Plant and Machinery	Vessels	Surplus Assets	Assets Under Construction	Other PPE Total	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
As at 1 April 2022		17,021	69,452	77,307	3,098	1,254	209,206	377,338	
Additions	1,947	41	205	460	532	0	28,549	29,786	31,733
Revaluation inc/(dec) recognised in the Revaluation Reserve	0	(492)	14	0	0	0	0	(478)	(478)
Reclassification	0	0	0	28,992	0	0	(28,992)	0	0
As at 31 March 2023		16,570	69,671	106,759	3,630	1,254	208,763	406,648	
Depreciation and Impairment									
As at 1 April 2022		1,143	3,769	3,768	876	0	0	9,555	
Depreciation	1,343	583	1,911	2,710	311	0	0	5,515	6,858
Depreciation written out to the Revaluation Reserve	0	(1,726)	(5,679)	0	0	0	0	(7,405)	(7,405)
As at 31 March 2023		0	0	6,478	1,187	0	0	7,666	
Net Book Value									
As at 31 March 2023	24,518	16,570	69,671	100,281	2,443	1,254	208,763	398,982	423,498
As at 31 March 2022	23,915	15,878	65,683	73,539	2,222	1,254	209,206	367,781	391,695

Infrastructure Assets

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

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

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

Depreciation

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

- Infrastructure assets useful lives are determined on acquisition and considered thereafter as part of the annual impairment review. The current maximum useful life is 49 years.
- Freehold and Leasehold property useful lives are based on estimated remaining life as provided by the valuer as part of the valuation process. The maximum useful life in this category is 50 years.
- Vehicles, plant and machinery useful lives are determined on acquisition and considered thereafter as part of the annual impairment review. The current maximum useful life is 35 years.
- Vessels useful lives are based on estimated remaining life as provided by the valuer as part of the valuation process. The maximum useful life in this category is 10 years.

Revaluations

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

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

- That no deleterious material was used in the construction of any property and that none has been subsequently incorporated.
- That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and that good titles can be shown.
- That the properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that the use and occupation are both legal.

- That inspection of those parts which have not been inspected would not cause alteration to the opinion of value.
- That the land and properties are not contaminated nor adversely affected by radon gas, hazardous substances and other adverse environmental impacts.

Infrastructure assets, assets under construction (gross book value £73.859m), short life plant, machinery and vehicles (gross book value £266.395m) are carried at historical cost. The remaining categories of property, plant and equipment (gross book value £97.153m) are carried at current value with the last full valuation being undertaken at 31 March 2024.

Capital Commitments

As at 31 March 2024, Merseytravel has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2024/2025 and future years budgeted to cost £59.969m. Similar commitments at 31 March 2023 were £75.609m.

A breakdown of the main commitments is as follows:

- Rolling Stock £25.030m
- New Vessel Build £22.360m

17. Capital Expenditure and Capital Financing

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

2022/23 £'000		2023/24 £'000
(381)	Opening Capital Financing Requirement	(381)
	Capital investment	
31,733	PPE	27,394
193	Intangible assets	1,599
58,839	Revenue Expenditure Funded from Capital Under Statute	39,635
	Sources of Finance	
(90,710)	Government grants and other contributions	(68,102)
(55)	Use of Reserves	(526)
(381)	Closing Capital Financing Requirement	(381)
0	Movement in Capital Financing Requirement	0

18. Intangible Assets

2022/23 £'000		2023/24 £'000
	Cost or valuation:	
	Opening balance:	
3,989	Gross carrying amount	4,182
(1,539)	Accumulated amortisation	(1,855)
2,450	Opening net carrying amount	2,327
193	Additions	1,599
(316)	Amortisation	(333)
2,327	Net carrying amount at end of year	3,593
	Comprising:	
4,182	Gross carrying amount	5,780
(1,855)	Accumulated amortisation	(2,187)
2,327		3,593

Intangible assets relate to licenses acquired by Merseytravel.

19. Long Term Debtors – loan to subsidiary company

2022/23 £'000		2023/24 £'000
2,187	Long Term loan to Subsidiary Company	1,981
2,187	Balance as at 31 March	1,981

The debtor relates to a loan to Mersey Ferries Limited for the acquisition of the Beatles Story. This is repayable in equal instalments of principal and interest until 2032/33.

20. Short Term Debtors

2022/23 £'000		2023/24 £'000
22,684	Trade Receivables	13,453
783	Prepayments	787
89,328	Group Debtors	73,727
2,350	Grant	1,250
4,435	Tax Debtor	2,976
6,724	Other Receivable Amounts	11,168
126,304	Balance as at 31 March	103,361

2022/23 £'000	Expected Credit Loss	2023/24 £'000
22,684	Trade Receivables	13,453
	(6) Expected Credit Loss	(5)

21. Short Term Creditors

2022/23 £'000		2023/24 £'000
(22,701)	Trade Payables	(8,856)
(551)	Group Creditors	(205)
(27,443)	Accruals	(17,317)
(3,493)	Other Payables	(1,458)
(54,188)	Balance as at 31 March	(27,836)

22. Leases

Merseytravel as Lessor

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

2022/23 £'000		2023/24 £'000
(13,272)	Not later than one year	(23,790)
(95,935)	Between one and five years	(81,684)
(7,751)	Over five years	0
(116,958)	Total	(105,474)

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

23. Financial Instruments

Categories of Financial Instruments

31 March 2023 £'000			31 March 2024 £'000	
Current	Non Current		Current	Non Current
		Financial Assets at Amortised Cost:		
196	2,187	Loan to Subsidiary Company	205	1,981
89,133	0	Amount deposited with LCRCA	73,522	0
36,193	0	Debtors	28,847	0
42	0	Cash & Cash Equivalents	154	0
125,564	2,187	Total Financial Assets	102,728	1,981
		Financial Liabilities at Amortised Cost:		
(196)	(2,187)	Loan from Group Company	(205)	(1,981)
(53,992)	0	Creditors	(27,631)	0
(54,188)	(2,187)	Total Financial Liabilities	(27,836)	(1,981)

Income and Expenses through the CIES

During the year, Merseytravel paid interest of £118k (£127k in 2022/23) and received interest of £118k (£127k in 2022/23). This relates to interest payable on the loan from the LCRCA to Merseytravel and subsequently on to Mersey Ferries Group in respect of the acquisition of The Beatles Story and is recognised in the Comprehensive Income and Expenditure Statement.

Fair Values of Assets and Liabilities

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

Nature and Extent of Risk Arising from Financial Instruments

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

- Credit risk - the possibility that other parties might fail to pay amounts due;
- Liquidity risk - the possibility that Merseytravel might not have funds available to meet its commitments to make payments; and
- Market risk - the possibility that financial loss might arise for Merseytravel as a result of changes in such measures as interest rates.

Credit risk

Merseytravel's credit risk arises from credit exposures to Merseytravel's customers. Merseytravel also holds intercompany balances with the LCRCA which are interest free and are available to the LCRCA to make investments. These investments are governed by the LCRCA's Treasury Management policy.

Liquidity risk

Through LCRCA, Merseytravel has ready access to borrowings from the Public Works Loans Board, and therefore there is no significant risk that it will be unable to raise finance to meet its commitments.

All undiscounted financial liabilities are payable within 1 year with the exception of a loan from LCRCA amounting to £1.981m 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 Comprehensive Income and Expenditure Statement or Movement in Reserves Statement.

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

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

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

24. Note to the Cashflow Statement

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

2022/23 £'000		2023/24 £'000
7,174	Depreciation amortisation and revaluation losses	8,798
10,319	Increase/(decrease) in creditors, provisions	(30,646)
(15,248)	(Increase)/decrease in debtors	23,148
(44)	(Increase)/decrease in inventories	(10)
7,019	Pension movements	(212)
9,219	Total	1,079

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

2022/23 £'000		2023/24 £'000
(31,871)	Grants received for the financing of capital expenditure	(25,799)
(31,871)	Total	(25,799)

Cashflow Statement Investing Activities

2022/23 £'000		2023/24 £'000
(31,926)	Purchase of property, plant and equipment and intangible assets	(28,993)
31,871	Other (purchases)/receipts from investing activities	25,799
(55)	Total	(3,194)

MERSEYTRAVEL GROUP ACCOUNTS

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

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

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

Please refer to the explanation of statements on pages 2-3 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 in Note 1 of the single entity accounts.

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

- Mersey Ferries Group (including The Beatles Story)
- Merseytravel Passenger Transport Services Limited

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

GROUP MOVEMENT IN RESERVES STATEMENT

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

	Usable Reserves £'000			Unusable Reserves £'000					Total Reserves £'000
	General Fund Balance	Other Earmarked Reserves	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	
As at 1st April 2023	8,533	56,482	65,015	33,375	393,137	15,359	(448)	441,423	506,438
Comprehensive Income and Expenditure Statement	28,637	0	28,637	9,408	0	14,847		24,255	52,892
Adjustments to the revenue resources *									
Pensions costs	(212)	0	(212)	0	0	212	0	212	0
Holiday pay	(91)	0	(91)	0	0	0	91	91	0
Charges for depreciation and amortisation of non-current assets	8,628	0	8,628	0	(8,628)	0	0	(8,628)	0
PPE Revaluation losses charged to the CIES	293	0	293	0	(293)	0	0	(293)	0
Revenue expenditure funded from capital under statute	39,635	0	39,635	0	(39,635)	0	0	(39,635)	0
Capital grants and contributions credited to the CIES	(68,102)	0	(68,102)	0	68,102	0	0	68,102	0
Total adjustments to revenue resources	(19,848)	0	(19,848)	0	19,546	212	91	19,848	0
Adjustments to capital resources									
Use of reserves to fund capital spend	0	(649)	(649)	0	649	0	0	649	0
Difference between fair value and historical cost depreciation	0	0	0	(1,205)	1,205	0	0	0	0
Total adjustments to capital resources	0	(649)	(649)	(1,205)	1,854	0	0	649	0
Transfer between reserves	(9,874)	9,874	0	0	0	0	0	0	0
Net Increase/(Decrease) in 2023/24	(1,085)	9,225	8,139	8,203	21,400	15,059	91	44,753	52,892
Balance as at 31st March 2024	7,448	65,707	73,155	41,579	414,537	30,418	(357)	486,177	559,332

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

GROUP MOVEMENT IN RESERVES STATEMENT

	Usable Reserves £'000			Unusable Reserves £'000					Total Reserves £'000
	General Fund Balance	Other Earmarked Reserves	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pension Reserve	Accumulated Absences Account	Total Unusable Reserves	
As at 1st April 2022	4,630	54,987	59,617	27,361	367,517	(82,013)	(578)	312,287	371,904
Comprehensive Income and Expenditure Statement	23,218	0	23,218	6,927	0	104,391	0	111,318	134,536
Adjustments to the revenue resources *									
Pensions costs	7,019	0	7,019	0	0	(7,019)	0	(7,019)	0
Holiday pay	(130)	0	(130)	0	0	0	130	130	0
Charges for depreciation and amortisation of non-current assets	7,283	0	7,283	0	(7,283)	0	0	(7,283)	0
PPE Impairment	45	0	45	0	(45)	0	0	(45)	0
Revenue expenditure funded from capital under statute	58,839	0	58,839	0	(58,839)	0	0	(58,839)	0
Capital grants and contributions credited to the CIES	(90,710)	0	(90,710)	0	90,710	0	0	90,710	0
Total adjustments to revenue resources	(17,654)	0	(17,654)	0	24,543	(7,019)	130	17,654	0
Adjustments to capital resources									
Use of reserves to fund capital spend	0	(164)	(164)	0	164	0	0	164	0
Difference between fair value and historical cost depreciation	0	0	0	(913)	913	0	0	0	0
Total adjustments to capital resources	0	(164)	(164)	(913)	1,077	0	0	164	0
Transfer between reserves	(1,660)	1,660	0	0	0	0	0	0	0
Net Increase/(Decrease) in 2022/23	3,904	1,496	5,400	6,014	25,620	97,372	130	129,136	134,536
Balance as at 31st March 2023	8,533	56,482	65,015	33,375	393,137	15,359	(448)	441,423	506,438

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

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2022/23 £'000				2023/24 £'000		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
37,558	(16,934)	20,624	Bus Services	51,606	(20,401)	31,205
202,646	(191,230)	11,416	Rail Services	192,718	(193,377)	(659)
9,745	(3,453)	6,292	Customer Delivery	10,485	(2,819)	7,666
57,635	(12,879)	44,756	Travel Concession	57,392	(14,667)	42,725
1,570	(879)	691	Policy	1,665	(883)	782
4,936	(1,220)	3,716	Corporate Management & Corporate Costs	2,906	(1,257)	1,649
13,969	(9,076)	4,893	Mersey Ferries Group	14,807	(10,373)	4,434
20,149	(19,433)	715	Mersey Tunnels	20,135	(20,135)	0
348,206	(255,103)	93,103	Net Cost of Services	351,714	(263,912)	87,802
	123		Other Operating Expenditure			127
	2,271		Financing and Investment Income			(909)
	(118,715)		Taxation and Non Specific Grant Income			(115,657)
	(23,218)		(Surplus) or Deficit on the Provision of Services			(28,637)
	(104,391)		Remeasurement (Gains)/Losses on Pension Assets/Liabilities			(14,847)
	(6,927)		Surplus on Revaluation Non Current Assets			(9,408)
	(111,318)		Other Comprehensive Income and Expenditure			(24,255)
	(134,536)		Total Comprehensive Income and Expenditure			(52,892)

GROUP BALANCE SHEET

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

As at 31 March 2023 £'000		As at 31 March 2024 £'000	Note
424,610	Property, Plant and Equipment	452,887	4
711	Heritage Assets	711	
4,022	Intangible Assets	5,288	5
15,359	Pension Asset	30,418	
444,702	Long Term Assets	489,304	
1,014	Inventories	1,043	
131,211	Short term Debtors	104,825	6
138	Cash and Cash Equivalents	345	
132,363	Current Assets	106,213	
(59,481)	Short term Creditors	(29,188)	7
(2,358)	Provisions	(2,715)	
(5,635)	Grant Receipts in Advance	(1,335)	
(67,474)	Current Liabilities	(33,238)	
(2,187)	Loan from Group Company	(1,981)	9
(966)	Provisions	(966)	
(3,153)	Long term Liabilities	(2,947)	
506,438	Net Assets	559,332	
(65,015)	Usable Reserves	(73,155)	1
(441,423)	Unusable Reserves	(486,177)	
(506,438)	Total Reserves	(559,332)	



Richard McGuckin
Executive Director Place
31 May 2024



John Fogarty (CPFA)
Executive Director Corporate Services
31 May 2024

GROUP CASHFLOW STATEMENT

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

2022/23 £'000		2023/24 £'000	Note
23,218	Net surplus on the provision of services	28,637	
8,907	Adjustments to net surplus on the provision of services for non-cash movements	625	10
(31,871)	Adjustments to net surplus on the provision of services for items which are investing and financing activities	(41,722)	10
253	Net cash inflows from Operating Activities	(12,460)	
(236)	Investing activities	12,667	10
17	Net increase in cash and cash equivalents	207	
121	Cash and cash equivalents as at 1 April	138	
138	Cash and cash equivalents as at 31 March	345	

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 2023/24. Details of the Merseytravel Single Entity reserves are included in note 6 of the single entity accounts.

	Balance 1 April 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance 31 March 2023 £'000	Transfers Out 2023/24 £'000	Transfers In 2023/24 £'000	Balance 31 March 2024 £'000
Merseytravel Single Entity Reserves	(59,428)	6,042	(6,704)	(64,277)	1,612	(9,141)	(71,806)
Subsidiary Reserves	(190)	0	(548)	(738)	0	(612)	(1,349)
Total Usable Reserves	(59,618)	6,042	(7,252)	(65,015)	1,612	(9,753)	(73,155)

2. Tax

Included within the Group CIES is estimated corporation tax payable on the Beatles Story profits of £100k (£161k corporation tax 2022/23).

3. Expenditure and Funding Analysis

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

2022/23 £'000				2023/24 £'000		
Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the CIES		Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the CIES
19,102	1,522	20,624	Bus Services	29,767	1,438	31,205
8,273	3,144	11,416	Rail Services	(4,571)	3,912	(659)
5,766	526	6,292	Customer Delivery	7,597	69	7,666
44,756	0	44,756	Travel Concession	42,725	0	42,725
631	61	691	Policy	778	5	783
423	3,293	3,716	Corporate Management & Corporate Costs	499	1,150	1,649
2,403	2,491	4,893	Mersey Ferries	1,864	2,570	4,434
0	715	715	Mersey Tunnels	(74)	74	0
81,352	11,751	93,103	Net Cost of Services	78,584	9,218	87,802
(86,752)	(29,569)	(116,321)	Other Income and Expenditure	(86,723)	(29,716)	(116,439)
(5,398)	(17,818)	(23,217)	Surplus or deficit	(8,139)	(20,498)	(28,637)
(59,617)			Opening Balance 1 April	(65,015)		
(5,398)			Surplus in Year	(8,139)		
(65,015)			Closing Reserves at 31 March	(73,155)		

Note to EFA 2023/24

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes £'000	Net change for Pension Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Bus Services	1,406	32	0	1,437
Rail Services	3,895	17	0	3,912
Customer Delivery	19	50	0	69
Travel Concession	0	0	0	0
Policy	0	5	0	5
Corporate Management & Corporate Costs	959	282	(91)	1,150
Net Cost of Mersey Ferries	2,535	35	0	2,571
Mersey Tunnels	0	74	0	74
Net Cost of Services	8,814	495	(91)	9,218
Other Income & Expenditure from the Funding Analysis	(29,009)	(707)	0	(29,716)
Difference between General Fund surplus or deficit and CIES surplus or deficit	(20,195)	(212)	(91)	(20,498)

Note to EFA 2022/23

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes £'000	Net change for Pension Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Bus Services	1,186	336	0	1,522
Rail Services	2,949	195	0	3,144
Customer Delivery	20	506	0	526
Travel Concession	0	0	0	0
Policy	0	61	0	61
Corporate Management & Corporate Costs	888	2,535	(130)	3,293
Mersey Ferries	2,177	314	0	2,491
Mersey Tunnels	0	715	0	715
Net Cost of Services	7,219	4,662	(130)	11,751
Other Income & Expenditure from the Funding Analysis	(31,926)	2,357	0	(29,569)
Difference between General Fund surplus or deficit and CIES surplus or deficit	(24,707)	7,019	(130)	(17,818)

Expenditure and Income Analysed by Type

2022/23 £'000		2023/24 £'000
	Expenditure	
37,066	Employee benefits expenses	26,706
314,949	Other service expenses	339,535
7,428	Depreciation, amortisation, impairment	8,728
127	Interest payments	118
359,568	Total expenditure	375,087
	Income	
(63,360)	Fees, charges and other service income	(83,516)
(319,426)	Government grants and contributions	(320,209)
(382,786)	Total Income	(403,724)
(23,218)	(Surplus) or deficit on the Provision of Services	(28,637)

4. Property Plant and Equipment

Movement on Balances 2023/24

		Other PPE								
	Infrastructure Assets	Freehold Property	Leasehold Property	Plant, Machinery and Vehicles	Vessels	Surplus Assets	Assets Under Construction	Other PPE Total	Total PPE	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Cost or Valuation										
As at 1 April 2023		16,570	70,793	109,587	3,630	1,254	208,762	410,598		
Additions	1,345	83	533	10,466	711	0	14,318	26,111	27,456	
Revaluation inc/(dec) recognised in the Revaluation Reserve	0	1,221	4,422	65	(754)	875	0	5,829	5,829	
Revaluation inc/(dec) recognised in the Surplus/Deficit on the Provision of Services	0	(199)	(66)	0	(787)	0	0	(1,052)	(1,052)	
Reclassification	0	0	0	149,221	0	0	(149,221)	0	0	
As at 31 March 2024		17,675	75,682	269,339	2,800	2,129	73,859	441,486		
Depreciation and Impairment										
As at 1 April 2023		0	726	8,591	1,187	0	0	10,505		
Depreciation	1,429	648	2,188	3,666	364	0	0	6,866	8,295	
Depreciation written out to the Revaluation Reserve	0	(648)	(2,138)	0	(793)	0	0	(3,579)	(3,579)	
Depreciation written out to the Surp/Def on the Provision of Services	0	0	0	0	(759)	0	0	(759)	(759)	
As at 31 March 2024		0	776	12,257	(0)	0	0	13,033		
Net Book Value										
As at 31 March 2024	24,433	17,675	74,906	257,082	2,800	2,129	73,859	428,452	452,887	
As at 31 March 2023	24,518	16,570	70,067	100,996	2,443	1,254	208,762	400,092	424,610	

Movement on Balances 2022/23

		Other PPE								
	Infrastructure Assets		Freehold Property	Leasehold Property	Plant, Machinery and Vehicles	Vessels	Surplus Assets	Assets Under Construction	Other PPE Total	Total PPE
	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation										
As at 1 April 2022			17,021	70,574	80,010	3,098	1,254	209,206	381,164	
Additions	1,947		41	205	640	532	0	28,549	29,967	31,914
Revaluation inc/(dec) recognised in the Revaluation Reserve	0		(492)	14	0	0	0	0	(478)	(478)
Reclassification	0		0	0	28,992	0	0	(28,992)	0	0
Impairment	0		0	0	(45)	0	0	0	(45)	(45)
Disposals	0		0	0	(10)	0	0	0	(10)	(10)
As at 31 March 2023			16,570	70,793	109,587	3,630	1,254	208,762	410,598	
Depreciation and Impairment										
As at 1 April 2022			1,144	4,445	5,831	876	0	0	12,297	
Depreciation	1,343		583	1,960	2,770	311	0	0	5,624	6,967
Depreciation written out to the Revaluation Reserve	0		(1,726)	(5,679)	0	0	0	0	(7,405)	(7,405)
Disposals	0		0	0	(10)	0	0	0	(10)	(10)
As at 31 March 2023			0	726	8,591	1,187	0	0	10,505	
Net Book Value										
As at 31 March 2023	24,518		16,570	70,067	100,996	2,443	1,254	208,762	400,092	424,610
As at 31 March 2022	23,915		15,878	66,129	74,179	2,222	1,254	209,206	368,868	392,782

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

5. Intangible Assets

2022/23 £'000				2023/24 £'000		
Goodwill on Consolidation	Licences	Total		Goodwill on Consolidation	Licences	Total
			Cost or valuation:			
			Opening balance:			
2,803	3,989	6,792	Gross carrying amount	2,803	4,182	6,985
(1,108)	(1,539)	(2,647)	Accumulated amortisation	(1,108)	(1,855)	(2,963)
1,695	2,450	4,145	Opening net carrying amount	1,695	2,327	4,022
0	193	193	Additions	0	1,599	1,599
0	(316)	(316)	Amortisation	0	(333)	(333)
1,695	2,327	4,022	Net carrying amount at end of year	1,695	3,593	5,288
			Comprising:			
2,803	4,182	6,985	Gross carrying amount	2,803	5,781	8,584
(1,108)	(1,855)	(2,963)	Accumulated amortisation	(1,108)	(2,188)	(3,296)
1,695	2,327	4,022		1,695	3,593	5,288

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 2024. The recoverable amount of The Beatles Story is determined on a value in use basis using discounted cash flow projections based on historical financial outturns and future forecasts.

Some sensitivity analysis was then applied to these assumptions resulting in little change to the original values. The resultant calculation showed the value of implied goodwill was consistent with that shown in the group balance sheet and no impairment was required for 2023/24.

6. Short Term Debtors

2022/23 £'000		2023/24 £'000
23,003	Trade Receivables	13,612
1,134	Prepayments	1,468
107,074	Other Receivable Amounts	89,745
131,211	Balance as at 31 March	104,825

2022/23 £'000	Expected Credit Loss	2023/24 £'000
23,003	Trade Receivables	13,612
(284)	Expected Credit Loss	(187)

7. Short Term Creditors

2022/23 £'000		2023/24 £'000
(22,944)	Trade Payables	(8,920)
(36,537)	Other Payables	(20,268)
(59,481)	Balance as at 31 March	(29,188)

8. Leases

Merseytravel Group as Lessee

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

2022/23 £'000		2023/24 £'000
5,998	Not later than one year	535
205	Between one and five years	0
0	Over five years	0
6,203	Total	535

Merseytravel's subsidiary company MPTS has an operating lease for the rental of Merseyrail rolling stock. There is a back to back lease with Merseyrail Electrics Limited (MEL) who fully reimburses the cost of this lease. The lease with Angel Trains expired in December 2018. An extension to the lease until 2023/24 was agreed in the 2019/20 financial year.

Merseytravel Group as Lessor

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

2022/23 £'000		2023/24 £'000
(13,384)	Not later than one year	(23,902)
(96,373)	Between one and five years	(82,109)
(8,251)	Over five years	(400)
(118,008)	Total	(106,411)

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

9. Long Term Loan from Group Company

2022/23 £'000		2023/24 £'000
(2,187)	Long Term Loan from Group Company	(1,981)
(2,187)	Total	(1,981)

The long term loan on the Merseytravel Group Balance Sheet relates to a loan from Liverpool City Region Combined Authority to Merseytravel to fund the acquisition of The Beatles Story. This loan is payable in equal instalments of principal and interest until 2032/33. Principal repayments in 2023/24 were £205k (£186k 2022/23).

10. Note to Cashflow Statement

Cash Flow Statement Operating Activities

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

2022/23 £'000		2023/24 £'000
7,328	Depreciation amortisation and revaluation losses	8,921
11,635	Increase/(decrease) in creditors, provisions	(34,442)
(17,009)	(Increase)/decrease in debtors	26,386
(65)	(Increase)/decrease in inventories	(28)
7,019	Pension movements	(212)
8,907	Total	625

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

2022/23 £'000		2023/24 £'000
(31,871)	Grants received for the financing of capital expenditure	(41,722)
(31,871)	Total	(41,722)

Cash Flow Statement Investing Activities

2022/23 £'000		2023/24 £'000
(32,107)	Purchase of property, plant and equipment and intangible assets	(29,055)
31,871	Other (purchases)/receipts from investing activities	41,722
(236)	Total	12,667

GLOSSARY OF FINANCIAL TERMS

Accounting Policies

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

Accruals

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

Agent/Agency

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

Amortisation

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

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

The technique is supported by relevant accounting policies and practices.

Amortised Cost

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

Capital Expenditure

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

Capital Financing Requirement (CFR)

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

Capital Receipts

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

Carrying Amount

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

Cash Equivalents

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

Cash Flows

Inflows and outflows of cash and cash equivalents.

Community Assets

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

Contingent Asset

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

Contingent Liability

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

Creditors

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

Credit Risk

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

Current Replacement Cost

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

Current Service Cost (Pensions)

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

Curtailment (Pensions)

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

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

Debtors

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

Defined Benefit Plan

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

Depreciated Replacement Cost (DRC)

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

Depreciation

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

Discretionary Benefits

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

Existing Use Value (EUV)

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

Fair Value

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

Financial Instrument

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

Typical financial instruments are:

(i) Liabilities

- Trade payables
- Borrowings
- Financial Guarantees

(ii) Assets

- Bank deposits
- Trade receivables
- Loans receivable
- Investments

Finance Lease

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

Financing Activities

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

Going Concern

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

Government Grants and Contributions

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

Heritage Assets

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

Historical Cost

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

IAS19

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

Impairment

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

Infrastructure Assets

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

Intangible Fixed Asset

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

Interest on Plan Assets (Pensions)

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

Interest on Plan Liabilities (Pensions)

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

Inventories

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

Investing Activities

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

Liquidity Risk

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

Market Risk

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

Market Value

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

Material/Materiality

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

Net Book Value

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

Net Realisable Value

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

Non-Current Assets

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

Non-Operational Assets

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

Operating Activities

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

Operating Leases

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

Past Service Cost/Gain (Pensions)

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

Plan Liabilities (or plan defined benefit obligations)

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

Price Risk

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

Projected Unit Credit (Actuarial Cost) Method

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

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

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

Provisions

A liability of uncertain timing or amount.

Refcus (Revenue Expenditure Financed From Capital Under Statute)

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

Related Parties

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

Related Party Transaction

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

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

Re-Measurement (Pensions)

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

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

(ii) the actuarial assumptions have changed.

Remuneration

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

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

Retirement Benefits

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

(i) an employer's decision to terminate an employee's employment before the normal retirement date; or

(ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure

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

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

Senior Employees

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

Settlement (Pensions)

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

Termination Benefits

Amounts payable as a result of either:

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

Useful Life

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