

**The Halton, Knowsley, Liverpool, St. Helens, Sefton  
and Wirral Combined Authority  
(LCRCA)**

**Statement of Accounts  
For the year ended 31 March 2015**

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
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FOR THE YEAR ENDED 31 MARCH 2015**

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## LIVERPOOL CITY REGION COMBINED AUTHORITY EXPLANATORY FOREWORD TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

The Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority operating as the Liverpool City Region Combined Authority (LCRCA) was established 1 April 2014, following the abolition of Merseyside Integrated Transport Authority (MITA). The Combined Authority assets/liabilities of the former MITA were transferred to LCRCA on this date. The transfer of these functions has been treated as a transfer by absorption, therefore no comparative figures are provided for the previous year, although an opening balance sheet for 1 April 2014 is included. These set of accounts reflect the first year of operation and the financial position of the LCRCA and the LCRCA Group (which includes the accounts of Merseytravel and its subsidiaries) at 31 March 2015.

The Authority's accounts for the year ended 31 March 2015 are set out on pages 16 to 71. They consist of the:-

- (a) Comprehensive Income and Expenditure Statement - the Authority's main revenue account covering income and expenditure on all Authority services;
- (b) Group Comprehensive Income & Expenditure
- (c) Balance Sheet - which sets out the financial position of the Authority and Group on 31 March 2015;
- (d) Movement in Reserves statements;
- (e) Statement of Cash Flows - which summarises the outflows of cash arising from transactions with third parties for revenue and capital purposes; and
- (f) Notes, comprising a summary of significant accounting policies and other explanatory information.

Group Accounts are required by the Code of Practice on Local Authority Accounting in the United Kingdom. The Code requires the Authority to treat Merseytravel (and its subsidiaries) as if it were a subsidiary company.

These accounts are supported by the Statement of Accounting Policies and the Annual Governance Statement.

### **Principal Activities**

The direct principal activity of the Authority during 2014/15 is the formulation of strategic transport policy for the Liverpool City Region, and the servicing of Transport and Tunnels Infrastructure debt. In addition, it sets the policies for its subsidiary, Merseytravel, to administer the following services on its behalf:-

- (a) Provision and operation of bus stations, interchanges, bus stops and shelters and other customer facilities;
- (b) Production of timetable and route information on all services;
- (c) Provision and operation of a commuter and leisure ferry service on the River Mersey along with various other leisure attractions to strengthen the local river front economy;
- (d) Administration of the local rail network through rail franchises;
- (e) Provision and operation of the local national concessionary travel schemes along with provision of a suite of prepaid travel tickets for public transport;
- (f) Provision of supported bus services in addition to the commercial network
- (g) the day to day operational activities of the Mersey Tunnels

The Medium Term Financial Strategy had identified the need to ensure that the Authority and Merseytravel had sufficient working balances and reserves in order to meet potential challenges in the future.

Careful consideration is given to the determining of reserve categories. Where reserves are earmarked this is done to ensure that the Authority is able to anticipate or meet any financial shocks. The Authority's reserves can be released to off-set expenditure, but only as an alternative to service reduction, however, once reserves are used, in the current environment, replacement will be extremely difficult.

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**Key Performance Indicators and Business Review**

The financial results of the Authority and the Group (comprising of the Authority, and Merseytravel and subsidiaries) are shown on pages 16 to 71.

The Authority's management accounts for budgeting purposes, is based on the income and expenditure of the general reserve and shows a budgeted surplus for the year of £0k. This basis differs from that shown in the financial statements. The LCRCA Group position shows a surplus of £204k. The Useable and Unusable reserves of the Authority at the year-end were £155m (1/4/14 £115m). The Group reserves were £225m (1/4/14 £208m).

**Service Provision**

During the year net expenditure of £127.4m (funded by the Levy) was incurred for the provision of transport services consisting of rail, ferries, tunnels, supported bus services and concessionary travel arrangements for the elderly, disabled and children. With the exception of the Authority's servicing of £0.2bn Transport Infrastructure debts, all other transport services are secured through Merseytravel which is financed by Authority grants.

**Income and Expenditure of General Reserve**

A simplified revenue management accounts outturn summary is given below for the general reserve of both the Authority and the Group position:-

LCRCA Accounts	2014/15			
	Original Estimate	Revised Estimate	Actual	
	£000	£000	£000	%
<u>Gross Expenditure</u>				
Tunnels operating grant to Merseytravel	31,961	31,295	30,623	11
Transport Infrastructure	33,882	39,471	43,191	15
Merseytravel Grant (including Special Rail and Concessionary Travel Grants)	226,537	216,258	215,128	74
Corporate & Democratic Core	1,607	950	220	0
	<b>293,987</b>	<b>287,974</b>	<b>289,162</b>	<b>100</b>
<u>Funded by -</u>				
Service Income (Tunnel Tolls etc.)	47,005	47,938	49,126	17
Grants	119,295	112,672	112,672	39
Use of Reserves	323	-	-	0
Sub Total	166,623	160,610	161,798	56
Balance to be met by levies upon Merseyside District Councils	127,364	127,364	127,364	44
<b>Total Funding</b>	<b>293,987</b>	<b>287,974</b>	<b>289,162</b>	<b>100</b>

This and the following table are only intended to show spending against approved budgets. They differ from the CIES in that the CIES shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from the Levy. The Levy (local taxation) is raised to cover expenditure in accordance with regulations which may differ from the accounting cost. The taxation position is shown in the MIRS.

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Group Accounts	2014/15			
	Original Estimate	Revised Estimate	Actual	
	£000	£000	£000	%
<u>Gross Expenditure</u>				
Tunnels	41,717	42,650	43,681	11
Transport Infrastructure/Funding	70,414	75,960	94,597	24
Corporate & Democratic Core	3,655	2,552	2,638	1
Mersey Ferries	11,171	10,427	10,178	3
Bus Services	30,340	30,526	28,507	7
Rail Services	123,202	115,267	112,090	29
Travel Concessions	83,514	83,448	81,811	21
Hubs	11,305	10,352	9,575	2
GSMRTIG	-	-	-	0
People & Customer Development	5,417	1,558	5,601	1
LTP & Policy Development	4,243	5,459	3,396	1
	<b>384,978</b>	<b>378,199</b>	<b>392,074</b>	<b>100</b>
<u>Funded by -</u>				
Service Income	137,996	138,163	150,299	38
Direct Grants	102,061	95,438	95,438	24
Other Grants	17,234	17,234	18,973	5
Use of General Reserves	323	-	-	0
Sub Total	257,614	250,835	264,710	67
Balance to be met by levies upon Merseyside District Councils	127,364	127,364	127,364	33
<b>Total Funding</b>	<b>384,978</b>	<b>378,199</b>	<b>392,074</b>	<b>100</b>

**Cash flow**

Although base rate continues to be at historically low levels, interest of £1.4m was earned during 2014/15 through prudent short term deposits of surplus monies. The LCRCA does benefit from surplus Merseytravel monies being on- lent to the LCRCA interest free, to permit bulk placements on the money market thereby maximising investment opportunities and returns.

**Pension surplus/deficit**

The LCRCA does not participate in a pension scheme as it does not directly employ any staff. However, the Group position does include the assets/liabilities associated with the defined benefit scheme for staff employed by Merseytravel. Employees formerly employed by MITA were transferred to Merseytravel with effect from 1/4/2014. This scheme is administered on its behalf by the Merseyside Pension Fund (MPF). Pension costs have been charged to the Group Comprehensive Income and Expenditure Statement (CIES) in line with IAS19, then reversed out, applying the statutory override provided by Regulation 7A(2) of the Accounts and Audit Regulation's 2011. For a fuller explanation of the LCRCA's Group pension deficit please refer to Note 31.

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### **Future planned development**

The Authority continues to support the development of a fully integrated transport system, with our District partners, for the Liverpool City Region through the latest Local Transport Plan (LTP4 2015-2019). Information on LTP4 can be found on the Merseytravel website. In addition the Authority will be the recipient (as accountable body) of Local Growth funds monies for the further development of the city regions economic regeneration from 1 April 2015.

### **Mersey Tunnels Fixed Asset Valuation**

The LCRLA inherited all Mersey Tunnel assets. These assets are subject to regular (quinquennial) valuations. The first valuation was carried for the 2003/4 accounting year, and the latest revaluation was carried out in March 2014.

The March 2014 revaluation was undertaken by District Valuers Service, experts in public sector asset valuations, and has been updated to reflect values as at March 2015.

The Code of Practice on Local Authority Accounting (The Code) states Infrastructure assets should be measured at historical cost, and defines this to be the carrying amount of the assets as at April 2007, adjusted for subsequent depreciation or impairment.

However, LAAP Bulletin 100 issued by CIPFA will require a change in accounting policy from 1 April 16 to reflect Infrastructure assets being revalued on a Depreciated Replacement Cost basis. Officers are currently working on the implications of this change.

### **Revenue Financing**

The Authority receives direct revenue support from the five Merseyside District Councils through levying procedures. Central Government contributed towards this support through the RSG Settlement; by providing Special Rail Grant to specifically prevent the extra costs of rail privatisation falling upon the council taxpayer.

### **Capital Programme**

In 2014/15 the Authority provided Capital grants to Merseytravel of £18.6m, along with direct capital investment on the Mersey Tunnels totalling £6.7m. Details of some of the largest schemes are as follows:-

#### **LCRCA Schemes**

- (a) Mersey Tunnels projects including Queensway Tunnel Cladding (£0.7m), SCADA (£1.0), Combined Control room (£1.5m), Refurbishment of Sidney street ventilation station (£0.5m) and other works to the tunnels fabric, plant and machinery.

#### **LCRCA Group Schemes**

- (b) Support to District highway improvements of £6.6m.
- (c) Support to Network Rail National station Improvements Programme (NSIP) of £1.0m
- (d) Investment in upgrading bus facilities via DfT Better bus grant of £2.1m
- (e) Access improvements to the park and ride site at Birkenhead North of £0.7m and Formby station access £0.7m.
- (f) Support to Mersey Ferries continued operations of £1.2m,
- (g) further progress in Merseytravel's visionary programme to improve integrated public transport along major corridors and centres in Merseyside

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The LCRCA and its Group liabilities can be funded from its own internal resources and expected external grants and contributions. The Authority is currently formulating an ambitious plan to replace the existing rolling stock on the Merseyrail franchise. This scheme is currently in development, and as such the full cost and financing of the project are still under discussion, and are not shown as commitments.

**Capital Financing/Borrowing**

During the year, the Capital Programme was financed as follows:

2014/15	LCRCA £000's	Group £000's
Capital Expenditure	6,702	25,389
Financed by :-		
Lease Incentive		
Grants/Contributions/Capital receipts	20	10,945
Renewals fund / tolls	6,682	6,682
Reserves	0	7,762
	6,702	25,389

The LCRCA Capital Financing Requirement at 31 March 2015 was £233.0m. Actual external debt at 31 March 2015 was £224.3m.

**Tunnels Repair and Renewal Reserve**

The Medium Term Financial Strategy for the previous MITA expressed the intention that the Tunnels Repair and Renewal Reserve be maintained at a level of £2.5m or above. This has been adopted by the LCRCA. This Reserve stood at £5.8m as at 31 March 2015.

**Principal Risks and Uncertainties**

Principal risks and uncertainties facing the Authority's reserves were as follows:-

(i) Compliance Risk

If Merseytravel has to utilise scarce reserves and working balances in order to mitigate against over-spending or shortfalls in revenue generation, then there is the risk of failing to achieve the LCRCA's financial objectives.

(ii) Energy Shocks

Typical risks here include further increases in fuel cost which will have a direct impact upon the cost basis of Mersey Tunnels, Ferries and the supported bus network. Conversely, high petrol costs could impact the organisation in a number of ways, e.g. greater use of concessionary travel (and hence cost) or a slight downturn in discretionary travel traffic.

(iii) Population Demographics

The impact of the post-war baby boom will result in more people being eligible for concessionary travel, even allowing for the recent changes in eligibility. The arrangements with the major bus operators and Merseyrail are on the basis that all eligible persons will have access to a local concession until they reach the age for the national concession. These arrangements are in the process of being re-negotiated for 2015/16. The introduction of SMART based data, rather than a reliance on survey data gathered by staff is expected to produce significant savings.

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### (iv) Industry Consolidation/Transition

It is possible that further consolidation of bus operators could take place, as occurred during the end of 2014/15. There is no intelligence to suggest that this is continuing to happen either with the larger operators or indeed with the smaller operators who predominantly provide contracts to Merseytravel. The risk with consolidation is that the supply side can result in fewer operators, resulting in less price competition for tenders.

### (v) Consumer Demand Shifts

A prolonged period of recession could impact upon consumer choice especially with regards to discretionary spending rather than 'routine' commuter expenditure. Conversely, discretionary spend could increase in an improving economy..

### (vi) Global Financial Shocks

The consequences of shocks affecting interest rates; currency rates; unemployment and economic growth.

Currently the impact of any new public sector measures that the new Government might bring in during 2015/16 and beyond cannot be accurately assessed.

## Political and Charitable Donations

For 2014/15, LCRCA did not adopt any charities as its chosen charity organisation. In addition Merseytravel did not make any charitable donations. There were no political donations made by either organisation during 2014/15.

## Future Developments

Regarding future developments the following are planned:-

### (a) New and Improved Facilities programmed for 2015/16:

- To continue to renew the Mersey Tunnels through a £9m refurbishment programme
- Commence refurbishment works at Kirkby bus station
- Commence implementation of Newton le Willows Interchange using LGF monies
- Enhance bus service routes through the use of Better Bus Fund grants and LSTF funding

### (b) Over the next 3-5 years:

- Enhance access at many stations
- Development proposals to extend the network initially to Headbolt Lane, Kirkby and Wrexham
- Develop proposals to reopen the Halton Curve to introduce a service between Lime Street, Liverpool South Parkway, Runcorn and Chester and development proposals to replace the existing rolling stock and other schemes as prioritised within the LGF settlement.
- To continue the renewal of the Mersey Tunnels assets.

## Safe and Secure Network

- Increase CCTV on bus and rail services and continue to work with partners to reduce the number of incidents on the transport network.

## Better Services

- Help protect the environment by reducing carbon emissions and operating sustainably.
- Use the new powers of the Local Transport Act to improve and more fully integrate the transport network.
- Work with our bus and rail operator colleagues to improve the reliability of transport information.



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**Value for Money**

- Continue to develop service efficiencies and operate responsibility.
- Keep supported bus fares at the current level for as long as possible.
- Work with bus and rail operators to improve the reliability of transport information.
- Support economic regeneration partnerships and initiatives.

**Research and Development**

For the normally accepted definition of a company's R&D, there were no research and development activities during 2014/15 by LCRCA or its group.

**Trade Payables**

Provision has been made for known liabilities, goods received and work carried out as at 31 March 2015. Generally the Authority aims to pay all of its undisputed creditors within 30 days.

The Authority has adopted Merseytravel's Performance Plan. Within this a "payment within 30 days" target of 100% has been set, against which the actual performance was 96.7 %.

**Statutory Officers of the Liverpool City Region Combined Authority**

The Statutory Officers of the Authority who held office during 2014/15 and their respective employing authorities were as follows:

D Brown	Head of Paid Service (appointed 1/4/14) - Merseytravel
A Sanderson	Monitoring Officer (appointed 1/4/14) – St Helens MBC
J Fogarty	Treasurer (appointed 1/4/14) -Merseytravel

These officers did not receive any reimbursement from the Combined Authority for the fulfilment of their duties, and are directly employed and receive remuneration from their respective organisations



D Brown  
Head of Paid Service



J Fogarty  
Treasurer

## **LIVERPOOL CITY REGION COMBINED AUTHORITY STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's Responsibilities**

The Liverpool City Region Combined Authority 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 the Liverpool City Region Combined Authority that officer is the Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### **Responsibilities of the Treasurer**

The Treasurer is responsible for the preparation of the Liverpool City Region Combined Authority's Statement of Accounts, in accordance with proper practices as set out in the CIPFA/LASAAC 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 the Liverpool City Region Combined Authority at the accounting date and its income and expenditure for the year end 31 March 2015.

In preparing this statement of accounts, the Treasurer 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

The Treasurer 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 present a true and fair view of the financial position of the Liverpool City Region Combined Authority as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015. The Statement of Accounts was authorised for issue by the Treasurer on 21 September 2015. Events taking place after the Balance Sheet date have been considered up to the date of issue.



J Fogarty  
**Treasurer**

**21 September 2015**

## **Functions of the Liverpool City Region Combined Authority 2014/15**

The Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority, operating as the Liverpool City Region Combined Authority (Combined Authority) 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.

The Combined Authority was established as a legal entity on 1<sup>st</sup> April 2014. As a result, this annual governance statement represents the position during the first year of account for the Combined Authority.

The Legal Framework that supports the Combined Authority includes various statutory provisions, however the most significant of these are:

- The Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority Order 2014
- The Transport Act 1968
- The County of Merseyside Act 1980
- The Mersey Tunnels Act 2004
- The Transport Act 1983
- The Transport Act 1985
- The Transport Act 2000
- The Railways Act 2005
- The Local Transport Act 2008
- Local Democracy, Economic Development and Construction Act 2009
- Accounts and Audit Regulations 2015

The Combined Authority includes the boroughs of Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral. Its primary function is to promote economic growth within the City Region. In furtherance of this, the Combined Authority's functions relate to:

- Transport;
- Employment and Skills;
- Economic Regeneration; and
- Housing and Planning

The Combined Authority works closely with the Local Enterprise Partnership engaging public/private sector in consideration to deliver regional priorities.

In respect of its local transport responsibilities, the Combined Authority assumed the powers, assets and liabilities of the Merseyside Integrated Transport Authority which was abolished as part of the creation of the Combined Authority.

It also assumed the local transport responsibilities of Halton Council, who are similarly no longer a transport authority.

While the Combined Authority is primarily a strategic body, in assuming the transport responsibilities of the Merseyside Integrated Transport Authority it inherited ownership of the Mersey Tunnels and as such, the value of its assets, its income and its expenditure is significant.

The transport functions of the Combined Authority were discharged by Merseytravel and by Halton Council in 2014/15, with the Combined Authority assuming a strategic role. Merseytravel undertakes these functions from resources provided by the Combined Authority for this purpose and generated through the Transport Levy and from Tunnel Tolls revenue.

Halton council funded its own transport functions through its main Council Tax requirement in 2014/15.

Both Merseytravel and Halton are subject to their own annual Statement of Accounts, although any issues arising that would impact on the Combined Authority are reflected within this statement.

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The Combined Authority had solely a strategic role in respect of its non-transport responsibilities in 2014/15 and incurred no direct expenditure in these areas in 2014/15.

**Scope of Responsibility**

The Combined Authority has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having due regard to a combination of economy, efficiency and effectiveness.

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

The Combined Authority approved and adopted a Code of Corporate Governance during 2014/15 which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Combined Authority's Code, its Constitution and other policies related to the governance framework are published through our website at <http://www.knowsley.gov.uk/your-council/decision-making-and-governance/lcr-combined-authority.aspx>

As 2014/15 was the first year of the Combined Authority it has placed significant reliance on the assurance frameworks of its Constituent Councils and, in particular, Merseytravel as its Accountable Body, and as its Executive body.

This statement explains how the Combined Authority complied with the Code and also met the requirements of the Accounts and Audit Regulations 2015, (Regulation 6), which requires all relevant bodies to prepare an annual governance statement.

**The purpose of the governance framework**

The governance framework comprises the systems and processes, culture and values by which the Combined Authority is directed and controlled in its activities. It is the mechanism through which it is accountable to and engaged with its stakeholders.

The governance framework enables the Combined Authority to monitor the achievement of its strategic objectives and to consider whether those objectives 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. Any system of internal control cannot eliminate all risk of failure to achieve policies, aims and objectives but the arrangements put in place at the Liverpool City Region Combined Authority are intended to provide a reasonable - but not absolute - assurance of effectiveness.

For 2014/15, the system of internal control relied on Merseytravel the Constituent Authorities, and Halton Council's internal arrangements. This reflects the exclusive nature of transport-related activity and expenditure by the Combined Authority in its first year. As the activities and functions of the Combined Authority expand into its non-transport activities from 2015/16 onwards, the Combined Authority will determine its own arrangements, however for the year past reliance on those of its executive bodies is considered sufficient.

The governance framework that was in place at the Combined Authority for the year ended 31 March 2015 will therefore change significantly during subsequent years. Much work will be undertaken in 2015/16 in readiness for this, including the establishment of an Assurance Framework for the management of City Region Local Growth Fund resources and schemes.

**The governance framework**

The governance framework itself is based around the organisation's Corporate Plan. As the Combined Authority only came into being on 1<sup>st</sup> April 2014 it inherited and adopted the Corporate Plan that was agreed by its predecessor body the Merseyside Integrated Transport Authority in February 2014.

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This plan was focussed on the delivery of transport-related activities in support of economic growth and was underpinned by a budget and staffing structures that ensured that resources were available to meet those corporate objectives through Merseytravel and the transport functions of Halton Council.

Performance management systems in each organisation ensured that high-quality services were delivered effectively and efficiently.

The Combined Authority, as a strategic organisation is not an employing body, however there are three statutory officers with legal responsibilities for assurance and governance. These are the Head of Paid Service (David Brown), the Chief Financial Officer (John Fogarty) and the Monitoring Officer (Angela Sanderson). All three officers are employed by constituent members of the Combined Authority or the Executive Body of the Combined Authority.

Further assurance is provided through the maintenance of Merseytravel's Internal Audit function. Given that non-strategic activity and expenditure was exclusively transport-related and delivered through Merseytravel and through Halton Council in 2014/15 the internal audit arrangements of those bodies were relied on by the Combined Authority in 2014/15.

The Combined Authority maintains an effective Audit Committee which has considered risk management and the effectiveness of Internal Audit arrangements in 2014/15.

Similarly, the risk management arrangements of Merseytravel and Halton Council were also relied upon by the Combined Authority in 2014/15.

**Review of the effectiveness of the governance framework**

The Combined Authority was responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The effectiveness review is informed by the work of Internal Audit and those key officers within the Combined Authority with responsibility for the development and maintenance of the governance environment.

The assessment of the effectiveness of the control framework is also informed by our external auditors and other review agencies and inspectorates.

As previously stated, the arrangements in place for the Combined Authority in 2014/15 relied exclusively on those in place at both Merseytravel and Halton Council, as both bodies were responsible for discharging all the Combined Authority's functions and expenditure in 2014/15.

Issues relating to governance in 2014/15 within each of these executive bodies are reflected in the Annual Governance Statements of those bodies, however no issues have been identified that would have a material impact on the Combined Authority's ability to effectively discharge its functions in 2014/15 or beyond.

Merseytravel is in part funded by the Combined Authority and accounted for the overwhelming majority of its expenditure in 2014/15. As such, governance issues at Merseytravel have the most significant potential to impact on the Combined Authority's overall governance framework.

Merseytravel also acts as the Accountable Body for the Combined Authority, with Authority resources managed through Merseytravel financial systems, banking and treasury management arrangements.

Merseytravel continued to strengthen its overall governance framework in 2014/15, with particular emphasis on risk management, project management and value for money.

Improvements in overall value for money within Merseytravel in 2014/15 enabled the Combined Authority to establish a transport levy for 2015/16 that is significantly reduced from previous years.

Despite this, there will be some significant challenges for the Combined Authority as its role expands. These are summarised within the section below.

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**Significant Governance Issues**

**Local Growth Fund**

The Combined Authority has been successful in attracting significant resources from central government linked to its strategic role in fostering economic growth.

The total award for Growth Fund schemes is £264m over six years. This is associated with a complex and ambitious programme of infrastructure investment across the City Region.

Ensuring that the City Region delivers this programme will be a key strategic priority for the Combined Authority from 2015/16 and beyond. Failure to deliver the programme, or elements therein will have an impact on economic activity and also a potential impact on the City Region's ability to attract further devolved funding in the years ahead.

In readiness for this, the Combined Authority agreed an assurance framework in 2014/15 that will ensure that Growth Fund monies are subject to appropriate levels of internal control and are focussed on the delivery of the City Region's clear priorities.

As Growth Fund activity accelerates, the Combined Authority will need to ensure that it maintains the skills, expertise and capacity to deliver its Growth Fund projects, and more importantly, to secure the economic improvements associated with these projects.

**Other Regional Funding**

The protocols associated with the establishment of the Combined Authority stated that the Combined Authority would act as the default applicant for regional external funding, unless there was a compelling reason for this not to be the case.

No such funding arrangements were in place in 2014/15, however the Combined Authority will be the accountable body for a number of key European and other funding streams from 2015/16.

The Combined Authority will need to ensure that its arrangements for managing these funding streams are adequate. In doing so, it will rely on its constituent members and Merseytravel as its Executive Body.

**Reserves Strategy**

The Combined Authority inherited significant levels of reserves from Merseyside Integrated Transport Authority. The maintenance of these reserves was part of a long-term strategy to provide for the replacement of rolling stock on the Merseyrail Network without impacting upon the transport levy.

In addition to the reserves earmarked for rolling stock replacement, there is also a significant reserve available for further transport infrastructure across the City Region. The Combined Authority will determine a prioritisation framework for these resources in 2015/16.

The objective of this is to ensure that these resources are used in tandem with Growth Fund resources to generate significant economic benefit to the City Region in furtherance of the Combined Authority's overall purpose and objectives.

**General Governance Issues**

As a primarily strategic body with a transport-related executive function in 2014/15, the Combined Authority was able to place reliance on the governance frameworks of Merseytravel and Halton Council to provide the appropriate level of assurance during its first year of inception.

As Growth Fund and other funding streams expand the role and remit of the Combined Authority from 2015/16, the Combined Authority will need to adopt its own framework of arrangements and documentation.

Where possible, reliance will continue to be placed on the arrangements of its constituent members, however for some activities this may not be sufficient.

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
ANNUAL GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2015 (continued)**

The Combined Authority is committed to reviewing its own arrangements in 2015/16, including the adequacy of Internal Audit arrangements for new funding streams. It will also need to determine its own register of corporate risks as distinct from those of its constituent members.

**SUMMARY**

2014/15 was the first year of inception for the Combined Authority. As such, its governance framework relied heavily on those of its constituent members – particularly that of Merseytravel as both its main delivery vehicle and its accountable body.

As primarily a strategic body in 2014/15, these arrangements were both appropriate and adequate. As the Combined Authority develops, its own governance framework will need to develop accordingly.

Much work has been undertaken in 2014/15 in preparation for this, with particular focus on the key strategic priority of delivering the Local Growth Fund award.

The Combined Authority is satisfied that the steps already taken, and those that are planned for 2015/16 will ensure the continued adequacy of its assurance framework as its role expands.

The Combined Authority will monitor the implementation and operation of its assurance framework through its Audit Committee and as part of our next annual review.



Signed: \_\_\_\_\_

Cllr Phil. Davies: Chair of the Liverpool City Region Combined Authority



Signed: \_\_\_\_\_

David Brown: Head of Paid Service, the Liverpool City Region Combined Authority

**21 September 2015**

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALTON, KNOWSLEY, LIVERPOOL, ST  
HELENS, SEFTON AND WIRRAL COMBINED AUTHORITY  
FOR THE YEAR ENDED 31 MARCH 2015**

We have audited the financial statements of The Halton, Knowsley, Liverpool, St. Helens, Sefton and Wirral Combined Authority ('the Combined Authority') for the year ended 31 March 2015 on pages 16 to 67. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the Members of the Combined Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the Members of the Combined Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Combined Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Combined Authority's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Combined Authority and the Group as at 31 March 2015 and of the Combined Authority's and the Group's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

**Matters on which we are required to report by exception**

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or



**LIVERPOOL CITY REGION COMBINED AUTHORITY  
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALTON, KNOWSLEY, LIVERPOOL, ST  
HELENS, SEFTON AND WIRRAL COMBINED AUTHORITY  
FOR THE YEAR ENDED 31 MARCH 2015 (continued)**

- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

**Other matters on which we are required to conclude**

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2014, we have considered the results of the following:

- our review of the annual governance statement; and
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities.

As a result, we have concluded that there are no matters to report.

**Delay in certification of completion of the audit**

**Due to an objection to the 2014/15 accounts under the Audit Commission Act 1998**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to decide on an objection we have received from an elector in respect of the 2014/15 audit of accounts. We are satisfied that the outcome of this objection will not have a material effect on the financial statements or on our value for money conclusion.

**Timothy Cutler  
Partner**

**for and on behalf of KPMG LLP, Appointed Auditor**

*Chartered Accountants*

1 St Peter's Square  
Manchester  
M2 3AE

24 September 2015

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2015**

The Comprehensive Income and Expenditure Statement show the costs of the Authority's services, Mersey Tunnels, provision for operating Mersey Ferries (via the Mersey Ferries Ltd subsidiary company), socially necessary bus services, local Merseyrail Electrics and Northern Rail (City Line) train services, the operation of a very comprehensive season and day ticket scheme as well as the provision of statutory and discretionary concessionary travel schemes.

In addition, these tables summarise the key sources of income and financial support the Authority receives. Crucial to these are the Special Rail Grant that funds local rail services and the Levy received from the Merseyside District Councils. The Levy for 2014/15 was approved by the former Merseyside Integrated Transport Authority at its February 2014 budget meeting, and subsequently adopted by LCRCA at its inception meeting on 1 April. A grant is paid to Merseytravel to provide services the LCRCA deem socially necessary, together with the costs of operation of the Mersey Tunnels. The LCRCA grant is a product of its levy on the five district councils and is the net sum after those costs borne by the LCRCA have been accounted for, together with income from the operation of the Mersey Tunnels.

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 grant income. The Authority receives grant income to cover expenditure in accordance with regulations; this may be different from the accounting cost. The reserves position is shown in the Movement in Reserves Statement.

LCRCA	2014/15			Notes
	Gross Expenditure	Gross Income	Net Expenditure	
	£000	£000	£000	
Highways & Transport Services	255,658	47,455	208,203	5
Corporate & Democratic core	230	10	220	
Non distributed costs	-	221	(221)	
<b>Cost of Services</b>	<b>255,888</b>	<b>47,686</b>	<b>208,202</b>	
Financing & Investment income	12,921	1,782	11,139	
Taxation & non-specific grant income	-	249,763	(249,763)	
<b>(Surplus)/deficit on Provision of Services</b>	<b>268,809</b>	<b>299,231</b>	<b>(30,422)</b>	
Transfer of MTA pensions deficit		11,537	(11,537)	
Gain/Loss on Revaluation	2,496	-	2,496	
Remeasurements (liabilities & assets)	-	-	-	
Actuarial (gains)/losses on pension assets/liabilities	-	-	-	
<b>Other comprehensive income &amp; expenditure</b>	<b>2,496</b>	<b>11,537</b>	<b>(9,041)</b>	
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>271,305</b>	<b>310,768</b>	<b>(39,463)</b>	

Further analysis of the CIES can be found within the segmental reporting analysis contained within Note 5.

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT  
FOR YEAR ENDED 31 MARCH 2015**

GROUP	2014/15			Notes
	Gross Expenditure	Gross Income	Net Expenditure	
	£000	£000	£000	
Highways & Transport Services	306,423	205,122	101,301	5
Corporate & Democratic core	230	10	220	
Non distributed costs	4,002	-	4,002	
<b>Cost of Services</b>	<b>310,655</b>	<b>205,132</b>	<b>105,523</b>	
Financing & Investment income	15,962	1,830	14,132	
Taxation & non specific Grant income	-	159,193	(159,193)	
<b>(Surplus)/deficit on Provision of Services</b>	<b>326,617</b>	<b>366,155</b>	<b>(39,538)</b>	
Transfer of MITA pensions deficit	-	-	-	
Surplus/Loss on Revaluation of PPE	2,520	1,542	978	
Remeasurements (liabilities & assets)	23,231		23,231	
Actuarial (gains)/losses on pension assets/liabilities	-	-	-	
<b>Other comprehensive income &amp; expenditure</b>	<b>25,751</b>	<b>1,542</b>	<b>24,209</b>	
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>352,368</b>	<b>367,697</b>	<b>(15,329)</b>	
<b>(Surplus)/deficit attributable to:</b>				
LCRCA			(15,329)	
Minority interests			-	
<b>Total (Surplus)/deficit</b>			<b>(15,329)</b>	

Further analysis of the CIES can be found within the segmental reporting analysis contained within Note 5.

### Balance Sheet

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

Internal Loans on the face of the Balance Sheet relate to surplus Merseytravel monies on lent to the LCRCA, interest free, to allow maximisation of funds to be invested short term on the money market. These are reversed upon consolidation.

The comparative position for the balance sheet is 1/4/14, when the LCRCA officially came into existence.

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
BALANCE SHEET AS AT 31 MARCH 2015**

As at 01/04/2014			As at 31/03/2015		Note No.
Authority £000	Group £000		LCRCA £000	Group £000	
		<b>NON-CURRENT ASSETS</b>			
		<b>Property, Plant &amp; Equipment:</b>			
5,864	15,456	Freehold Property	5,166	15,426	
5,339	57,814	Leasehold Property	5,142	60,787	
1,630	13,958	Vehicles, Plant, Furniture & Equipment,	1,516	10,426	
276,409	306,365	Infrastructure Assets	277,875	306,054	
-	-	Assets Under Construction	-	-	
74	3,690	Non Operational Assets	55	2,211	
289,316	397,283	<b>Total PPE</b>	289,754	394,904	15
450	1,161	<b>Heritage assets</b>	450	1,161	16
-	2,028	<b>Intangible Assets:</b>	-	1,964	19
-	-	<b>Investments</b>	-	-	20
3,657	798	<b>Long Term Debtors</b>	3,523	777	24(b)
293,423	401,270	<b>TOTAL NON-CURRENT ASSETS</b>	293,727	398,806	
		<b>CURRENT ASSETS</b>			
118,774	118,774	Short-term investments	132,446	132,446	21
-	-	Assets Held for Sale	-	180	22
622	1,038	Inventories	565	1,070	23
5,125	24,973	Short Term Debtors	6,279	21,630	24
261	36,170	Cash and cash equivalents	(5,468)	40,954	25
124,782	180,955	<b>TOTAL CURRENT ASSETS</b>	133,822	196,280	
<b>418,205</b>	<b>582,225</b>	<b>TOTAL ASSETS</b>	<b>427,549</b>	<b>595,086</b>	
		<b>CURRENT LIABILITIES</b>			
(11,099)	(11,099)	Short Term Borrowing	(10,773)	(10,773)	29
(45,334)	(44,638)	Short Term Creditors	(38,617)	(30,869)	26
(39)	(600)	Provisions	(26)	(180)	27
(56,472)	(56,337)	<b>TOTAL CURRENT LIABILITIES</b>	(49,416)	(41,822)	
68,310	124,618	<b>NET CURRENT ASSETS</b>	84,406	154,458	
		<b>NON-CURRENT LIABILITIES</b>			
-	(168)	Long Term Creditors	-	(182)	
(1,993)	(4,185)	Provisions	(1,589)	(3,894)	27
(224,299)	(224,299)	Long Term Borrowing	(213,527)	(213,527)	29
(11,537)	(78,738)	Pension Liability	-	(102,192)	31
(8,751)	(8,759)	Other Long Term Liabilities	(8,401)	(8,401)	
(246,580)	(316,149)	<b>TOTAL NON CURRENT LIABILITIES</b>	(223,517)	(328,196)	
<b>115,153</b>	<b>209,739</b>	<b>NET ASSETS</b>	<b>154,616</b>	<b>225,068</b>	
		<b>FUNDS BALANCES &amp; RESERVES</b>			
78,806	132,911	Useable Reserves	96,436	164,313	30
36,347	76,830	Unusable Reserves	58,180	60,757	30
-	(2)	Minority Interest	-	(2)	
<b>115,153</b>	<b>209,739</b>	<b>TOTAL RESERVES</b>	<b>154,616</b>	<b>225,068</b>	

The notes from page 22 onwards form part of these accounts.

*Phil Davies*

**Councillor Phil Davies**  
Chair of the Liverpool City Region Combined Authority

21 September 2015

*J Fogarty*

**John Fogarty**  
Treasurer

21 September 2015

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
MOVEMENT IN RESERVES STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2015**

This statement shows the movement in the year on different reserves held by the Authority, analysed in to “useable” reserves (i.e. those that can be applied to fund expenditure or reduce the charge to local taxpayers, through the Levy) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income and Expenditure statement. These are different from the statutory amounts required to be charged to the General Fund balance. The “Net Increase/Decrease before Transfers to Earmarked Reserves” line shows the statutory General Fund balance before any discretionary transfer to or from earmarked reserves.

Group 2014/15	Revenue Reserves	Earmarked Reserve	Total Useable Reserves	Pension Reserve	Revaluation Reserve	Deferred Capital Grants	Financial Instruments	Capital Adjustment Account	Total Unusable Reserves	Minority Interests	Total Reserves
	£000	£000	£000	(Note 30) £000	(Note 30) £000	£000	(Note 30) £000	(Note 30) £000	£000	£000	£000
<b>Opening balance 1st April 2014</b>	3,496	129,415	132,911	(78,738)	12,453	95,579	22	47,514	76,830	(2)	209,739
<b>Movement in Reserves during 2014/15:</b>											
Surplus on the provision of services	39,538	-	39,538	-	-	-	-	-	-	-	39,538
Other Comprehensive Income and Expenditure			-	-	235	1,792	-	(3,005)	(978)	-	(978)
Remeasurements (liabilities & assets)	-	-	-	(23,231)	-	-	-	-	(23,231)	-	(23,231)
<b>Total comprehensive income &amp; expenditure</b>	<b>39,538</b>	<b>-</b>	<b>39,538</b>	<b>(23,231)</b>	<b>235</b>	<b>1,792</b>	<b>-</b>	<b>(3,005)</b>	<b>(24,209)</b>	<b>-</b>	<b>15,329</b>
Pensions charged to CIES (note 31)	7,561	-	7,561	(7,561)	-	-	-	-	(7,561)	-	-
Employers contribution	(7,338)	-	(7,338)	7,338	-	-	-	-	7,338	-	-
Capital grants applied to PPE	-	(3,717)	(3,717)	-	-	3,717	-	-	3,717	-	-
Release from reserves re depreciation	11,617	-	11,617	-	(17)	(8,044)	-	(3,556)	(11,617)	-	-
Premiums/discounts re extinguished loans	13	-	13	-	-	-	(13)	-	(13)	-	-
Capital expenditure charged to general fund	(6,702)	-	(6,702)	-	-	-	-	6,702	6,702	-	-
Statutory provision for financing charged to General fund	(9,676)	-	(9,676)	-	-	-	-	9,676	9,676	-	-
Disposal of assets held for sale	-	106	106	-	-	(106)	-	-	(106)	-	-
<b>Adjustments between accounting basis and funding basis under regulations (Note 4)</b>	<b>(4,525)</b>	<b>(3,611)</b>	<b>(8,136)</b>	<b>(223)</b>	<b>(17)</b>	<b>(4,433)</b>	<b>(13)</b>	<b>12,822</b>	<b>8,136</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) before transfers to earmarked funds</b>	<b>35,013</b>	<b>(3,611)</b>	<b>31,402</b>	<b>(23,454)</b>	<b>218</b>	<b>(2,641)</b>	<b>(13)</b>	<b>9,817</b>	<b>(16,073)</b>	<b>-</b>	<b>15,329</b>
<b>Transfers to/from earmarked funds</b>											
Transfers to earmarked reserves	(34,977)	34,977	-	-	-	-	-	-	-	-	-
<b>Total transfers to/from earmarked funds</b>	<b>(34,977)</b>	<b>34,977</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase/(Decrease) in year</b>	<b>36</b>	<b>31,366</b>	<b>31,402</b>	<b>(23,454)</b>	<b>218</b>	<b>(2,641)</b>	<b>(13)</b>	<b>9,817</b>	<b>(16,073)</b>	<b>-</b>	<b>15,329</b>
<b>Balance 31 March 2015 carried forward</b>	<b>3,532</b>	<b>160,781</b>	<b>164,313</b>	<b>(102,192)</b>	<b>12,671</b>	<b>92,938</b>	<b>9</b>	<b>57,331</b>	<b>60,757</b>	<b>(2)</b>	<b>225,068</b>

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
MOVEMENT IN RESERVES STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2015**

LCRCA 2014/15	Revenue Reserves £000	Earmarked Reserve £000	Total Useable Reserves £000	Pension Reserve (Note 30) £000	Revaluation Reserve (Note 30) £000	Financial Instruments (Note 30) £000	Capital Adjustment Account (Note 30) £000	Total Unusable Reserves £000	Total Reserves £000
<b>Opening balance 1st April 2014</b>	1,142	77,664	78,806	(11,537)	348	22	47,514	36,347	115,153
<b>Movement in Reserves during 2014/15:</b>									
Surplus on the provision of services	30,422	-	30,422	-	-	-	-	-	30,422
Other Comprehensive Income and Expenditure			-	11,537	(2,496)	-	-	9,041	9,041
<b>Total comprehensive income &amp; expenditure</b>	<b>30,422</b>	<b>-</b>	<b>30,422</b>	<b>11,537</b>	<b>(2,496)</b>	<b>-</b>	<b>-</b>	<b>9,041</b>	<b>39,463</b>
Pensions charged to CIES (note 31)	-	-	-	-	-	-	-	-	-
Employers contribution	-	-	-	-	-	-	-	-	-
Release from reserves re depreciation	3,573	-	3,573	-	(17)	-	(3,556)	(3,573)	-
Amounts written out to the Revaluation Reserve					3,005		(3,005)		
Premiums/discounts re extinguished loans	13	-	13	-	-	(13)	-	(13)	-
Capital expenditure charged to general fund	(6,702)	-	(6,702)	-	-	-	6,702	6,702	-
Statutory provision for financing charged to General fund	(9,676)	-	(9,676)	-	-	-	9,676	9,676	-
Capital grants received	18,663	-	18,663	-	-	-	(18,663)	(18,663)	-
Grants applied	(18,663)	-	(18,663)	-	-	-	18,663	18,663	-
<b>Adjustments between accounting basis and funding basis under regulations (Note 4)</b>	<b>(12,792)</b>	<b>-</b>	<b>(12,792)</b>	<b>-</b>	<b>2,988</b>	<b>(13)</b>	<b>9,817</b>	<b>12,792</b>	<b>-</b>
<b>Net increase/(decrease) before transfers to earmarked funds</b>	<b>17,630</b>	<b>-</b>	<b>17,630</b>	<b>11,537</b>	<b>492</b>	<b>(13)</b>	<b>9,817</b>	<b>21,833</b>	<b>39,463</b>
<b>Transfers to/from earmarked funds</b>									
Transfers to earmarked reserves	(17,630)	17,630	-	-	-	-	-	-	-
<b>Total transfers to/from earmarked funds</b>	<b>(17,630)</b>	<b>17,630</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase/(Decrease) in year</b>	<b>-</b>	<b>17,630</b>	<b>17,630</b>	<b>11,537</b>	<b>492</b>	<b>(13)</b>	<b>9,817</b>	<b>21,833</b>	<b>39,463</b>
<b>Balance 31 March 2015 carried forward</b>	<b>1,142</b>	<b>95,294</b>	<b>96,436</b>	<b>-</b>	<b>840</b>	<b>9</b>	<b>57,331</b>	<b>58,180</b>	<b>154,616</b>

The notes from page 22 onwards form part of these accounts.

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2015**

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

	2015		Note No
	LCRCA	Group	
	£000	£000	
<b>Operating Activities</b>			
Net (Surplus)/Deficit on the provision of services	(30,422)	(39,538)	
<i>Adjustments to net surplus or deficit on the provision of services for non cash movements</i>			
Depreciation and impairment of property, plant and equipment	(3,753)	(11,985)	
(Increase)/Decrease in trade and other receivables	1,154	(3,343)	
(Increase)/Decrease in inventories	(57)	32	
Increase/(Decrease) in trade and other payables	288	12,955	
Movement in Provisions	417	711	
<i>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</i>			
Difference between pension contributions paid and the amounts recognised in the income statement			
Transfer from pension reserve		(223)	
Gain on sale of property plant and equipment	-	-	
Gain/Loss on available-for-sale assets	-	-	
<b>Net cash flow from operating activities</b>	<b>(32,373)</b>	<b>(41,391)</b>	24
<b>Investing Activities</b>			
Purchase of property, plant and equipment and intangible assets	8,081	11,961	
Proceeds from sale of assets held for sale	(15)	(103)	
Purchase of short term and long term investments	13,672	13,672	
Loans Advanced	-	-	
Loans Repaid	(134)	(21)	
<b>Net cash flows from investing activities</b>	<b>21,604</b>	<b>25,509</b>	
<b>Financing Activities</b>			
Internal loan from Merseytravel	5,400	-	
Repayment of internal loan to Merseytravel		-	
Repayment of short term and long term borrowing	11,098	11,098	
<b>Net cash flows from financing activities</b>	<b>16,498</b>	<b>11,098</b>	
<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>5,729</b>	<b>(4,784)</b>	
Cash and cash equivalents as at 1 April	(261)	(36,170)	
<b>Cash and cash equivalents as at 31 March</b>	<b>5,468</b>	<b>(40,954)</b>	
		-	

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

**1. Summary of Significant Accounting Policies**

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2011, and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (The Code).

The financial statements were authorised for issue by the Treasurer on 21 September 2015. This is the date up to which events after the balance sheet date have been considered.

**Basis of Preparation**

The consolidated financial statements have been prepared on a historical cost basis modified by the revaluation of certain categories of non-current assets and financial instruments.

**Compliance with the IFRS-based Code**

The Authority's Statement of Accounts has been prepared in accordance with The Code. Where sufficient detail is not provided in The Code, LCRCA makes reference to International Financial Reporting Standards in order to account for certain transactions.

**Group Accounts and Basis of Consolidation**

The consolidated financial statements comprise the accounts of the Authority, Merseytravel and its subsidiary and associated undertakings as at 31 March 2015, which are listed in note 20.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. They are fully consolidated from the date that Authority obtains control, until the date that such control ceases. Uniform accounting policies as set out below are used in the preparation of the group accounts.

Intra-group transactions during the year and balances as at the end of the year are eliminated in the group accounts.

**Interests in subsidiaries and unlisted equity interests**

The Authority's interests in its subsidiaries and unlisted equity interests are all held through Merseytravel.

The initial fair value of the Group's unlisted equity interests is based on cost. As the fair value of the equity interest cannot be measured reliably at the end of each year, the cost is estimated at its initial fair value and subsequently reduced by any impairment loss.

**Income and expenditure**

Grant and other funding income is recognised where there is reasonable assurance that the income will be received and all attached conditions have been complied with.

Expenditure and income is accounted for in the period it takes place, not when cash is received or paid. Income and Expenditure excludes VAT as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

**Government Grants and Contributions**

Where the acquisition of a piece of property plant and equipment is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is recognised in full in the income and expenditure statement. Subsequently, depreciation is charged on the asset to which it relates.

The Department for Transport provides a Special Rail Grant to the Authority to prevent the extra costs of rail privatisation falling upon the Council Taxpayer. This grant is paid to Merseytravel to finance liabilities arising from two rail franchise agreements made in accordance with the Railways Act 1993.



**1 Summary of Significant Accounting Policies (continued)**

**Lease Income**

Rentals receivable under operating leases are credited to income as they arise. Any premiums or incentives within the lease are recognised within income on an equal basis over the term of the lease.

**Lease expenditure**

Rentals paid under operating leases are charged to expenditure on a straight line basis over the term of the lease. Lease incentives are recognised over the lease term on a straight line basis. See Note 34 for fuller details on Authority and Group leases.

**Accounting for the costs of the Carbon Reduction Commitment scheme (CRC)**

The Authority is required to participate in the CRC energy efficiency scheme. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions (i.e. carbon dioxide produced) as energy is used. As emissions occur a liability and an expense are recognised. This liability is discharged by surrendering allowances. The liability is measured as the best estimate, normally at the current market price of the number of allowances required to meet any additional liability at the reporting date.

**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 future economic benefits or service potential associated with the asset flow and the cost of the item can be measured reliably. General repair and maintenance costs are recognised in the statement of comprehensive income and expenditure in the period in which they are incurred.

Measurement: Assets are initially measured at cost comprising the purchase price, 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 and the initial estimate of the costs of dismantling and disposal of the asset where considered material.

Subsequently assets are carried in the Balance Sheet using the following measurement bases:

- Infrastructure and assets under construction are measured at depreciated historical cost as required by the code; such costs may include the costs of replacing significant portions of the asset, upon which the portion being replaced is immediately derecognised. The Mersey Tunnels are classified as infrastructure.
- Non-operational assets and assets that are surplus to requirements are included in the balance sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value;
- All other classes of property, plant and equipment are measured at fair value. If there is no market-based evidence of fair value because of the specialist nature of the asset, the fair value is estimated using a depreciated replacement cost approach.

The majority of fixed assets with a value of £7,500 (i.e. de-minimis threshold for capitalisation purposes) or more were valued, with an effective date of 1 April 2014.

Surpluses arising on the valuation of fixed assets are credited to the fixed asset revaluation reserve. Subsequent revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur.

Componentisation: The major components of the Group's assets have been identified and are depreciated separately. Assets with comparable useful economic lives are categorised together and are subject to a consistent method of depreciation.

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

**1 Summary of Significant Accounting Policies (continued)**

**Depreciation:** Depreciation is provided on all assets with finite useful lives by the systematic allocation of their depreciable amounts over their useful lives using the reducing balance method. That portion of depreciation related to any revaluation gain is transferred from the Revaluation Reserve to the Capital Adjustment Account.

**Impairment:** Annual reviews are made of the estimated remaining life and current carrying amount of assets, ensuring that significant assets are reviewed annually and other assets are reviewed at least every three years. Adjustments to the carrying amount, or remaining useful life, are made where necessary. See impairment of non-financial assets below

**Disposals:** An item of property, plant and equipment is derecognised upon disposal, replacement or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition (calculated as the difference between the net disposal proceeds and the carrying amount) is included in the income statement in the year the item is derecognised, offset by the write-back of any related unamortised grant funding that has been received.

**Capital expenditure and capital financing**

Capital project grants are recognised as income in the period in which they are received. Expenditure is classified as assets under construction. Upon the assets becoming available for use, the expenditure is categorised to the appropriate class of property, plant and equipment and depreciated for the final quarter of the year. In the event that capital expenditure does not directly result in an operational asset, the costs are recognised within the Statement of Income and Expenditure as Revenue Expenditure Funded from Capital.

**Heritage Assets – FRS30**

These assets are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. The Authority holds heritage assets at their valuation based upon an external valuation with an effective date of 1 April 2014, by the District Valuers Service (see Note 16).

**Assets held for sale**

Non-current assets are classified as held for sale, and measured at the lower of carrying amount and fair value less costs to sell, if their value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, and management is committed to the sale, which is expected to complete within one year.

Property, plant and equipment classified as held for sale are not depreciated.

The Authority holds no assets that meet these criteria as at 31 March 2015. However, the Group position shows assets belonging to Merseytravel in this category. These relate to assets purchased as part of the now-cancelled Merseytram project.

**1 Summary of Significant Accounting Policies (continued)**

**Impairment of non-financial assets**

The Authority assesses each year whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Authority estimates the asset's recoverable amount, which is the higher of its fair value less costs to sell, and its value in use. It is determined for an individual asset, unless it doesn't generate cash inflows independently from other assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted at a rate reflecting the Authority's current assessment of its average borrowing rates. In determining fair value less costs to sell, an appropriate valuation model is used. The calculations are reviewed where possible against other available indicators.

Impairment losses are recognised in the Income and Expenditure Statement in those expense categories consistent with the function of the asset, except for property previously revalued where the revaluation was taken to reserves. In this case the impairment is also recognised in reserves up to the amount of any previous revaluation.

An assessment is also made each year whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been previously recognised. Such reversal is recognised in the Income and Expenditure Statement unless the asset is carried at re valued amount, in which case the reversal is treated as a revaluation increase.

**Goodwill**

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

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

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

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

**Inventories**

Inventories are carried at the lower of cost (including costs incurred in bringing the inventory to its present location, such as freight) and net realisable value, determined on a first in first out basis.

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

**1 Summary of Significant Accounting Policies (continued)**

**Financial Assets**

Financial assets are classified at initial recognition as loans, cash and cash equivalents (short term deposits) or receivables in accordance with IAS 39 (The Code Chapter 7.3), and recognised at cost. The Authority has not designated any financial assets as at fair value through profit or loss. The Authority's financial assets include cash, short-term deposits, trade and other receivables. Financial assets are derecognised when the appropriate cash flows have been received, or when the rights to receive cash flows from the asset have expired.

Subsequent measurement depends on their classification as follows:-

*Cash and cash equivalents:* cash and short term deposits in the Statement of Financial Position comprise of cash at bank and in hand and short-term deposits with an initial maturity of 90 days or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

*Loans and deposits:* Consist of non-derivative financial assets with fixed or determinable payments not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income and Expenditure Statement when the assets are amortised, derecognised or impaired.

*Trade and other receivables:* recognised and carried at invoice or contract value less an allowance for any amounts which may not be collectable. Should an amount become uncollectable, it is written off to the income statement in the period in which it is recognised.

*Impairment of financial assets:* the Authority assesses at each period end whether there is any evidence that a financial asset, or group of assets, is impaired. Financial assets are impaired if, and only if, there is objective evidence of one or more events that will negatively impact future expected cash flows, and the impact can be reliably estimated. Objective evidence may be that a debtor is experiencing financial difficulty to the extent that cash flows are, or are likely to be, negatively impacted. If such objective evidence exists, then the financial asset is impaired to the extent of the present value of estimated cash flow shortfall. The amount of the allowance for impairment is recorded separately to the asset, and written off against income.

**Financial Liabilities**

Financial liabilities are classified at initial recognition as loans and borrowings in accordance with IAS 39 (The Code Chapter 7.2), and recognised at cost. The Authority has not designated any financial liabilities as at fair value through profit or loss. The Authority's financial liabilities include short term creditors, loans and other payables, and bank overdraft. Financial liabilities are derecognised when the appropriate cash flow obligations have been discharged, expired or otherwise cancelled.

Subsequent measurement depends on their classification as follows:

*Loans and borrowings:* non-derivative financial liabilities with fixed or determinable payments not quoted in an active market. This includes residual debt inherited on restructuring of local government in Merseyside. Such interest-bearing liabilities are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income and Expenditure Statement when the liabilities are amortised, derecognised or impaired.

*Trade and other payables:* recognised and carried at invoice or contract value. Should an amount become non-payable, it is written back to the Statement of Income and Expenditure in the period in which it is recognised.

Finance leases: refer to other information below.

**Offsetting of Financial Assets and Liabilities**

Financial assets and liabilities are offset, and the net amount reported in the Balance Sheet, if and only if there is an enforceable legal right to offset, and there is an intention to settle on a net basis in order to realise the assets and discharge the liabilities simultaneously.

**1 Summary of Significant Accounting Policies (continued)**

**Debtors**

Receivables are considered both individually and collectively for impairment and provision is made for all overdue receivables. Where the actual amount has not yet been determined, the amount due has been estimated on the basis of the latest available information.

**Provisions, contingent liabilities and contingent assets**

Provisions are recognised when the Authority has a present, legal or constructive obligation as a result of a past event which makes it probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of its amount.

Where the Authority expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only if the reimbursement is highly probable.

The expense relating to any provision is recognised in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate reflecting the Authority's current assessment of its average borrowing rates.

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

A contingent liability arises where an event has taken place that gives rise to a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

**Pensions**

The Authority does not employ staff, and as such does not participate in a pension scheme. The employees formerly employed by the MITA were transferred to Merseytravel on 1/4/14. However, the LCRCA did inherit the liabilities and assets of MITA Pension obligation when it was established on 1/4/14. The LCRCA balance sheet as at 1/4/14 includes a Pensions deficit of £11,575k which is equally matched by a Pensions reserve. These have now been transferred to Merseytravel and are funded via an Authority grant.

However, LCRCA group includes Merseytravel which does participate in a defined benefit pension scheme, (The Merseyside Pension Fund) the assets of which are held separately in an independently administered fund. The funds are valued every three years by a professionally qualified independent actuary. This is reflected in the Group position within these accounts

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

**1 Summary of Significant Accounting Policies (continued)**

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance revenue or cost.

Remeasurements of both assets and liabilities are recognised in full in other comprehensive income in the period in which they occur.

Pension costs have been charged to the Group CIES in line with IAS 19 (The Code Chapter 6.5) (Employee Benefits). The effect of transfers in the movement in reserves is that the general fund is charged with the employers contributions with the balance between this and the amount charged to the Group CIES being charged or credited to the Group Pension Reserve. For fuller information regarding Pensions please refer to Note 31.

**Revenue Expenditure Funded from Capital under Statute**

These charges represent expenditure which is capital in nature but which does not represent property plant and equipment and therefore written off in the year. They principally comprise works carried out on land and buildings in which the group does not have an interest (e.g. rail stations).

Charges shown in the Authority's accounts represent capital grants for such works to Merseytravel.

**Prudential borrowing**

Provision for the redemption of debt is made in accordance with the Minimum Revenue Provision (MRP) requirements under the Local Government Act 2003. The Authority has resolved to limit its debt repayment to the MRP level, calculated as 4% of the Authority's Capital Financing Requirement, and to re-borrow if it deems necessary, any additional contractual repayments.

Supported borrowing is used to partly finance capital expenditure and to reduce contractual repayments to minimum revenue provision level requirements under the Local Government Act 2003.

The Authority has resolved that the annual charges arising from prudential borrowing should not be charged to Local Council Tax and are therefore met from sources other than the approved levy. Efforts are made each year to ensure that a budgetary savings programme is in place to at least offset the cost of prudential borrowing.

Mersey Tunnels are charged with depreciation representing a capital charge for all plant used in the provision of services.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves are disclosed separately as movements within the MIRS.

**Revaluation Reserve and Capital Adjustment Account**

Revaluation decreases are written off to the Revaluation Reserve only where there is a positive balance on the reserve in relation to the specific asset against which the decrease can be applied. Where there is no such balance or the decrease exceeds the balance the difference is charged to the Income and Expenditure account. As legislation does not permit revaluation losses to be charged to the General Fund, the charge is reversed by crediting the General Fund balance and debiting the Capital Adjustment Account

## 1 Summary of Significant Accounting Policies (continued)

### Capital Receipts

Capital receipts, which are receipts from the disposal of capital assets, are generally utilised in the year in which they are received. The useable part of the capital receipts is used to finance new capital expenditure.

### Overhead and Support Service Allocation

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 methods. A proportion of these costs are recharged to the Authority by Merseytravel.

### Prior Period Adjustments, Changes in Accounting Policy and Estimates and Errors

Prior period adjustments may arise as a result in 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 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, or other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in the prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### Reserves

Reserves are classified as Useable (identified and maintained for specific future purpose), or Unusable (retained to manage the accounting processes for non-current assets and retirement and employee benefits) and do not represent useable resources for the Authority.

### Tunnels Surplus/Deficit

The Tunnels Act 2004 permits the Authority to raise tolls in line with the RPI Index. Should a surplus arise, powers exist that allow the Authority to utilise those surpluses by transferring monies into the Authority's General Fund for transport purposes.

### Events after the Balance Sheet Date

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts are authorised for issue. Two types of event can be identified:

- Those that existed at the end of the reporting period – the accounts are amended to reflect these events
- Those that arose after the end of the reporting period – the accounts are not amended to include these, but should they have a material effect upon the accounts, disclosure is made in the accounts as to their nature and estimated financial impact

### Material Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the CIES or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

## 2. Accounting standards that have been issued but have not yet been adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, (the Code) the Authority is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The following standards have been issued that will be adopted by the Code in 2015/16 and will be applicable to the Authority from 1 April, and are estimated to have minimal impact upon the accounts

- *IFRS 13 – Fair Value Measurement – this is a requirement for the concept of fair value measurement to be applied to all assets and liabilities which use fair value as a measurement basis.*
- *IFRIC 12 – Levies – clarifies the recognition point for payment of levies as the activity which triggers the payment of the levy*

In addition, there have been a number of minor changes to existing accounting standards, which have had minimal impact upon the accounts:

- IFRS 8 Operating Segments – requires factors to be disclosed to identify reportable segments. This will require an additional disclosure in 2015/16
- IAS 16 Property, Plant and Equipment – where non-current assets are revalued, the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount.

## 3. Significant accounting judgements, estimates and assumptions

The preparation of the Authority's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date.

### Judgements

In the process of applying the Authority's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

*Operating leases:* the Authority has various commercial property leases to let out property units to third parties. The Authority has determined that, based on an evaluation of the lease terms and Conditions, that it retains all the significant risks and rewards of ownership and so accounts for the leases as operating leases.

### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the period end, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

*Property revaluation:* The Authority measures some other assets at revalued amounts with any changes being recognised within reserves. Periodically, external surveyors are used and the last independent survey was carried out at March 2014. Between independent surveys, reviews are carried out by internal but qualified staff. Such valuations and any attached estimates are subject to some sensitivity.

*IT Asset Valuations and Depreciation:* depreciated historical cost is used as a proxy for fair value due to the relatively short useful economic life of IT assets.

*Pension benefits:* the cost of defined benefit pension plans is determined using 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.



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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

*Provision for Bad Debts:* debts are provided for as follows:-

- 100% for any debts over 12 months old
- Any debts where information indicates recoverability is in doubt.

*Provisions:* Provisions set out in note 27 are based on management's best estimate of the amount and timing of liabilities.

**4. Adjustments between accounting basis and funding basis under regulations**

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

Group	2014/15			
	General Fund Balance	Other Usable Reserve	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Income and Expenditure Statement:</i>				
Charge for depreciation and impairment of non-current assets	(11,617)	-	11,617	-
Capital grants and contributions applied	26,961	-	(26,961)	-
Revenue Expenditure Funded from Capital under Statute	(26,961)	-	26,961	-
Amounts of non-current assets written off on disposal or sales as part of the gain/loss on disposal.	-	(106)	106	-
Capital Grants applied to PPE	-	3,717	(3,717)	-
<i>Insertion of items not debited or credited to the income and Expenditure Statement:</i>				
<b>Adjustments primarily involving CIES</b>				
Statutory provision for the financing of capital investment	9,676	-	(9,676)	-
Capital expenditure charged against the General Fund	6,702	-	(6,702)	-
<b>Adjustments primarily involving the Pensions Reserve</b>				
Pension costs charged to CIES (Note 31)	(7,561)	-	7,561	-
Employer's pensions contributions and direct payments	7,338		(7,338)	-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Income and Expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(13)	-	13	-
<b>Total Adjustments</b>	<b>4,525</b>	<b>3,611</b>	<b>(8,136)</b>	<b>-</b>

Adjustments between accounting basis and funding basis under regulations (continued)

LCRCA	2014/15			
	General Fund Balance	Other Usable Reserve	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Income and Expenditure Statement:</i>				
Charge for depreciation and impairment of non-current assets	(3,556)	-	3,556	-
Revaluation losses on Property, Plant and Equipment	(17)		17	-
Capital grants and contributions applied	18,589	-	(18,589)	-
Revenue Expenditure Funded from Capital under Statute	(18,589)	-	18,589	-
<i>Insertion of items not debited or credited to the income and Expenditure Statement:</i>				
<b>Adjustments primarily involving CIES:</b>				
Statutory provision for the financing of capital investment	9,676	-	(9,676)	-
Capital expenditure charged against the General Fund	6,702	-	(6,702)	-
<b>Adjustments primarily involving the Pensions Reserve</b>				
Pension costs charged to CIES (Note 31)	-	-	-	-
Employer's pensions contributions and direct payments	-	-	-	-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
Amount by which finance costs charged to the Income and Expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(13)	-	13	-
<b>Total Adjustments</b>	<b>12,792</b>	<b>-</b>	<b>(12,792)</b>	<b>-</b>

5. Amounts Reported for Resource Allocation Decisions (Segmental Reporting)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice for Local Authorities*. However, decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across business areas. These reports are prepared on a different basis from the accounting policies used in the financial statements.

For management purposes, the Authority is organised into business units based on operational areas and has the following reportable segments in the table below.

No operating segments have been aggregated to form the reportable operating segments. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

The income and expenditure of the Authority's principle reporting packs for management for the year is as follows:

LIVERPOOL CITY REGION COMBINED AUTHORITY  
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

5. Amounts Reported for Resource Allocation Decisions (Segmental Reporting) (continued)

LCRCA	2014/15		
	Exp	Income	Net
	£'000	£'000	£'000
Tunnels operational grant to Merseytravel	30,623	-	30,623
Tunnels income	-	43,681	(43,681)
Tunnels act transfer	13,058		13,058
Headquarters	3,774	3,774	-
Funds Management	14,442	16,021	(1,579)
Inter-Dept Charges	(16,021)	(16,021)	-
Capital expenditure charged to Mersey Tunnels	(6,701)	-	(6,701)
Pensions current service /curtailment costs	-		-
Grant to Merseytravel; Revenue Support	197,894	-	197,894
Grant to Merseytravel; Capital	18,589	-	18,589
<b>Highways &amp; Transportation</b>	<b>255,658</b>	<b>47,455</b>	<b>208,203</b>
Corporate and Democratic Core	230	10	220
<b>Corporate &amp; Democratic Core</b>	<b>230</b>	<b>10</b>	<b>220</b>
Pensions -Admin expenses	-	-	-
Transfer to Provisions	-	221	(221)
<b>Non Distributed costs</b>	<b>-</b>	<b>221</b>	<b>(221)</b>
<b>Cost of Services</b>	<b>255,888</b>	<b>47,686</b>	<b>208,202</b>
Pensions – net interest costs	-	-	-
Pensions – return on assets /interest costs	-	-	-
Interest receivable and payable	12,921	1,782	11,139
<b>Financing &amp; Investment Income</b>	<b>12,921</b>	<b>1,782</b>	<b>11,139</b>
Other income	-	26,961	(26,961)
Use of reserves	-	-	-
Levy	-	127,364	(127,364)
SRG	-	95,438	(95,438)
<b>Taxation &amp; Non specific Grant Income</b>	<b>-</b>	<b>249,763</b>	<b>(249,763)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>268,809</b>	<b>299,231</b>	<b>(30,422)</b>

LIVERPOOL CITY REGION COMBINED AUTHORITY  
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

5 Amounts Reported for Resource Allocation Decisions (Segmental Reporting) (continued)

GROUP	2014/15		
	Exp	Income	Net
	£'000	£'000	£'000
Mersey Tunnels	43,681	43,681	-
Bus Services	28,507	10,203	18,304
Rail Services	113,680	115,238	(1,558)
Concessionary Travel	81,811	25,593	56,218
Hubs	9,575	2,713	6,862
MFL Group	9,959	8,930	1,029
Funds Management	22,596	16,121	6,475
Inter Dept Charges	(45,959)	(45,959)	-
Pensions current service /curtailment costs	4,452		4,452
Capital expenditure charged to Mersey Tunnels	(6,701)		(6,701)
Other Services	44,822	28,602	16,220
<b>Highways &amp; Transportation</b>	<b>306,423</b>	<b>205,122</b>	<b>101,301</b>
Corporate and democratic core	230	10	220
<b>Corporate &amp; Democratic Core</b>	<b>230</b>	<b>10</b>	<b>220</b>
Transfer to Provisions	41		41
Pensions special contributions	3,961	-	3,961
<b>Non Distributed costs</b>	<b>4,002</b>	<b>-</b>	<b>4,002</b>
<b>Cost of Services</b>	<b>310,655</b>	<b>205,132</b>	<b>105,523</b>
Pensions – return on assets /interest costs	-	-	-
Pensions – net interest costs	3,006	-	3,006
External interest	12,921	1,830	11,091
Taxation & Non specific Grant Income	35	-	35
<b>Financing &amp; Investment Income</b>	<b>15,962</b>	<b>1,830</b>	<b>14,132</b>
Other income	-	26,961	(26,961)
Grants	-	4,868	(4,868)
Use of reserves	-	-	-
Levy	-	127,364	(127,364)
<b>Taxation &amp; Non specific Grant Income</b>	<b>-</b>	<b>159,193</b>	<b>(159,193)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>326,617</b>	<b>366,155</b>	<b>(39,538)</b>

LIVERPOOL CITY REGION COMBINED AUTHORITY  
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

5 Amounts Reported for Resource Allocation Decisions (Segmental Reporting) (continued)

Group 2015	Mersey Tunnels	Bus services	Rail services	Prepaid and concessionary travel	Ferry and tourism services	Other Services	Total segments	Inter departmental charges, depreciation and pensions	Non distributed costs	Cost of services reported in CIES
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees charges and service income	43,681	10,203	19,800	25,593	8,230	47,446	154,953	( 45,959)	-	108,994
Government grant income	-	-	95,438	-	-	-	95,438	-	-	95,438
Other grant income	-	-	-	-	700	-	700	-	-	700
<b>Total income</b>	43,681	10,203	115,238	25,593	8,930	47,446	251,091	( 45,959)	-	205,132
Franchises and operators	-	23,260	93,969	80,001	-	-	197,230			197,230
Support services	7,321	1,410	1,038	1,810	1,988	-	13,567			13,567
Depreciation and impairment	-	-	-	-	-	-	-			-
Pension costs	-	-	-	-	-	-	-		3,961	3,961
Other expenses	36,360	3,837	18,673	-	7,971	81,675	148,516	( 52,660)	41	95,897
Total expenditure	43,681	28,507	113,680	81,811	9,959	81,675	359,313	( 52,660)	4,002	310,655
Surplus/(Deficit) - cost of services	-	( 18,304)	1,558	( 56,218)	( 1,029)	( 34,229)	( 108,222)	6,701	( 4,002)	( 105,523)

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

**6. Mersey Tunnels**

The Authority has delegated the operational activities of the tunnels to Merseytravel. This is funded by way of a grant, which in turn is funded via income from tolls.

The Mersey Tunnels Act 2004 permits any operating surplus to be utilised by the Authority to achieve public transport policies in its local transport plan. In 2014/15, £13.1m was transferred into the Authority's General Fund and a Tunnels Reserve and Renewals Fund balance of £5.8m remained as at 31 March 2015.

Prior to the Tunnel operations becoming self-financing, the Tunnels deficit was funded by the Authority Levy. Over several years levy funding reached £28m. Following consultation, the Authority approved an annual contribution for 21 years of £3.6m from the surplus towards the levy. The final contribution payment was made in 2014/15 and this debt has now been extinguished.

**7. Surplus (deficit) on the Provision of Services**

The surplus (deficit) for the year has been stated after the following have been charged/(credited):

	<b>Group 2015 £000's</b>	<b>LCRCA 2015 £000's</b>
<b>Credits:</b>		
Levy income	127,364	127,364
Grant income - Revenue:		
Rail services – Special Rail Grant	95,438	95,438
EU Revenue Grant	-	
	95,438	95,438
Capital Grants and Contributions income		
Dept for Transport - Integrated Transport Block Grant	17,234	17,234
Dept for Transport - Clean Bus Technology	420	420
Dept for Transport - Better Bus & Area Grant	203	203
ERDF - Objective 1 grants	597	597
Dept for Transport - LSTF Grant	592	592
Partner Grant	-	-
Other grants	-	
Capital Contributions	214	214
	19,260	19,260
<b>Charges</b>		
Depreciation of property, plant and equipment (including impairment)	11,936	3,768
Operating leases - minimum lease payments	12,139	-
Auditors' remuneration * see Note 8	97	47
Pension costs	7,561	-
Publicity costs	7	-

\* This is the net position after accruals, and includes audit fees for Merseytravel's subsidiary companies.

Levy income arises from levies on the Council Tax for five Boroughs in Merseyside.

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

The Special Railway Grant is received from the Department of Transport to ensure the costs of Rail privatisation do not fall upon the Council tax payer

The Local Government Act 1986 Section 5(1) requires the Authority to maintain a separate publicity account. A more detailed account is available on request.

**8. Auditor's Remuneration**

Audit fees for the audit of the Authority's accounts by KPMG are £47k and the Group Accounts are £97k. Group figures do not include audit fees in respect of Merseytravel subsidiary companies, none of which are audited by KPMG.

	<b>LCRCA 2015 £000</b>	<b>Group 2015 £000</b>
Audit fees in respect of:-		
Fees payable for external audit services carried out by the appointed auditor	47	97
Grant certification work	0	0

**9. Staff costs and headcount**

The Authority does not employ staff. The Group position reflects staff employed by the Merseytravel Group, who act as the Authority's Executive arm in delivering its' transport priorities.

	<b>Group 2015</b>
The number of persons employed by the Group (expressed as whole time equivalents) at the year end was:	No.
Operations	492
Catering/Retail	50
Management and Admin	277
<b>Total</b>	<b>819</b>
	<b>£000's</b>
The aggregate payroll cost for employees during the year was:-	
Salaries and Wages	22,511
National Insurance	1,664
Superannuation	2,972
	<b>27,147</b>

The Group's employees receiving more than £50,000 remuneration for the year, (including pension contributions) are as follows:

LIVERPOOL CITY REGION COMBINED AUTHORITY  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

9. Staff costs and headcount (continued)

	Group 2015
£50,000 to £54,999	17
£55,000 to £59,999	15
£60,000 to £64,999	10
£65,000 to £69,999	1
£70,000 to £74,999	4
£75,000 to £79,999	1
£80,000 to £84,999	0
£85,000 to £89,999	3
£100,000 to £104,999	0
£105,000 to £109,999	1
£140,000 to £144,599	1

Remuneration paid to the Authority's Senior Employees is as follows:

Post Title	Year	Salary	Allowances	Compensation for loss of office	Pension contributions	Total remuneration
		£	£	£	£	£
*Chief Executive/Director General- David Brown	2014	127,309	1,717	-	15,929	144,955
	2015	150,707	2,236	-	21,790	174,733
Director of Resources	2014	92,154	-	-	11,519	103,673
	2015	96,694	-	-	13,924	110,618
Director of Integrated Transport (& Deputy Chief Executive)	2014	126,462	1,954	-	15,885	144,301
	2015	125,072	1,436	-	18,010	144,518
Director of Corporate Development	2014	104,188	628	-	13,102	117,918
	2015	104,761	-	-	15,085	119,846

The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below:

Group Exit package cost band £	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages in each band	
		2014/15		2014/15		2014/15		2014/15 £000
0 - 20,000		0		2		2		18
20,001 - 40,000		0		4		4		135
40,001 - 60,000		0		0		0		60
60,001 - 80,000		0		1		1		68
80,001 - 100,000		0		0		0		0
100,001 - 150,000		0		0		0		0
Total		0		7		7		281



**LIVERPOOL CITY REGION COMBINED AUTHORITY  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

**10. Members' allowances**

Total expenses and allowances paid to Members were £191k. This includes travelling and subsistence costs. Full details of allowances paid, are reported on the Authority's website.

**11. Rail Concession income and expenditure**

Merseyrail Electrics 2002 Ltd (a Serco and Abellio joint venture) has a franchise agreement with the group, through Merseytravel, to operate rail services (Merseyrail Electrics). The agreement provides that any profits from the operation of these services above a predefined threshold be shared by Merseyrail Electrics 2002 Ltd and Merseytravel.

Group Highways and Transport services income includes £5,788k representing income accrued under the agreement. Of this, £1,590k has been spent in the year to secure improvements to passenger services and is charged to Highways and Transport Services Expenditure.

The total balance remaining as at 31 March 2015 is £15.8m (1/4/14 £11.5m). This has been included in Group short term debtors and Group useable reserves at the balance sheet date.

**12. Finance Costs – Interest Payable**

	<b>Group 2015 £000's</b>	<b>LCRCA 2015 £000's</b>
On loans	12,908	12,908
Interest cost on pension scheme	3,006	-
Amortisation of premium on early repayment of loans	13	13
Other	-	-
	<b>15,927</b>	<b>12,921</b>

**13. Finance Income**

Surplus monies from Merseytravel were lent to the Authority; interest free, to permit bulk placements on to the money markets. Finance income comprises:

	<b>Group 2015 £000's</b>	<b>LCRCA 2015 £000's</b>
From short-term loans and deposits	1,394	1,394
On pension scheme assets	-	-
Other interest receivable	621	388
	<b>2,015</b>	<b>1,782</b>

**14. Tax on Income**

Corporation tax chargeable against interest received and rental income in the year at a rate of 21% for 2014/15 and 23% for 2013/14.

Taxation of £35k in the consolidated income and expenditure statement represent taxation paid by the employer for certain employee benefits deemed by HMRC to be taxable, together with corporation tax payments for the Merseytravel group.

LIVERPOOL CITY REGION COMBINED AUTHORITY  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

15. Property, Plant and Equipment

Group	Freehold Property	Leasehold Property	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Non Operational Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation:</b>								
<b>Net book value absorbed from MITA At 1 April 2014</b>	<b>15,456</b>	<b>57,814</b>	<b>13,958</b>	<b>306,365</b>	-	-	<b>3,690</b>	<b>397,283</b>
Additions	1,842	83	1,641	7,231	-	-	-	10,797
Revaluation recognised in revaluation reserve	1,506	4,297	(46)	-	-	-	(5)	5,752
Revaluation recognised in surplus/deficit in provision of services	(2,809)	-	(2,715)	-	-	-	(1,182)	(6,706)
Disposals	-	-	-	-	-	-	(106)	(106)
Assets reclassified to Assets held for sale	-	-	-	-	-	-	(180)	(180)
Other Movements	(569)	(1,407)	(2,412)	-	-	-	(6)	-
<b>At 31 March 2015</b>	<b>15,426</b>	<b>60,787</b>	<b>10,426</b>	<b>313,596</b>	-	-	<b>2,211</b>	<b>406,840</b>
<b>Depreciation and impairment:</b>								
<b>Absorbed from MITA At 1 April 2014</b>	-	-	-	-	-	-	-	-
Depreciation	567	1,407	1,313	5,149	-	-	-	8,436
Other Movements	(567)	(1,407)	(2,414)	-	-	-	(6)	-
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	1,101	2,393	-	-	6	3,500
<b>At 31 March 2015</b>	-	-	-	<b>7,542</b>	-	-	-	<b>11,936</b>
<b>Net Book Value:</b>								
At 1 April 2014	15,456	57,814	13,958	306,365	-	-	3,690	397,283
<b>At 31 March 2015</b>	<b>15,426</b>	<b>60,787</b>	<b>10,426</b>	<b>306,054</b>	-	-	<b>2,211</b>	<b>394,904</b>

LIVERPOOL CITY REGION COMBINED AUTHORITY  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

15 Property, Plant and Equipment (continued)

LCRCA	Freehold Property	Leasehold Property	Vehicles, Plant, Furniture and Equipment	Operational Infrastructure	Community Assets	Assets Under Construction £000	Non Operational Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation:</b>								
<b>Absorbed from MITA At 1 April 2014</b>	<b>6,358</b>	<b>5,930</b>	<b>2,473</b>	<b>299,158</b>	-	-	<b>73</b>	<b>313,992</b>
Additions	1,746	-	292	4,664	-	-	-	6,702
Transfers from Capital Projects					-	-	-	-
Revaluation Gains/ Losses recognised in the Revaluation reserve	542	-	(46)	-			(5)	491
Revaluation Losses recognised in the Surplus/Deficit on Provision of Services	(2,809)		(165)				(13)	(2,987)
Other Movements	(671)	(788)	(1,038)				-	(2,497)
Assets reclassified								-
<b>At 31 March 2015</b>	<b>5,166</b>	<b>5,142</b>	<b>1,516</b>	<b>303,822</b>	-	-	<b>55</b>	<b>315,701</b>
<b>Depreciation and impairment:</b>								
<b>Absorbed from MITA At 1 April 2014</b>	<b>493</b>	<b>591</b>	<b>843</b>	<b>22,749</b>	-	-	-	<b>24,676</b>
Depreciation	178	197	180	3,198	-	-	-	3,753
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	15	-	-	-	-	15
Other Movements	(671)	(788)	(1,038)					(2,497)
<b>At 31 March 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,947</b>	-	-	-	<b>25,947</b>
<b>Net Book Value:</b>								
At 1 April 2014	5,865	5,339	1,630	276,409	-	-	73	289,316
<b>At 31 March 2015</b>	<b>5,166</b>	<b>5,142</b>	<b>1,516</b>	<b>277,875</b>	-	-	<b>55</b>	<b>289,754</b>

The Directors have reviewed Property Plant and Equipment for any indicators of impairment, and are not aware of any material change in the value of these assets not included in the above table.

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

**15 Property, Plant and Equipment (continued)**

**Valuation of property, plant and equipment**

The Authority carries out regular revaluations of all Property, Plant and Equipment required to be measured at fair value every five years. These revaluations exclude infrastructure assets that are required to be carried at depreciated historical cost. Valuations of land and buildings were carried out by the independent valuers from the District Valuer's Office in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset.

Ian Carruthers BSc, MRICS, of the District Valuers Service, carried out the last valuation as at 31 March 2014. This work was performed as part of the preparation for the introduction of the accounting implications of the Local Authority Accounting Panel (LAAP) 100. These values were not available to be used for the 2013/14 final accounts process. However, these values have been updated to reflect values as at 31/3/15 and have been used to form the basis of valuation for this set of accounts.

The majority of properties regarded by the Authority as operational were valued on the basis of depreciated replacement cost as market value could not be assessed. Plant and machinery is included in the valuation of the buildings.

The cumulative revaluation surplus held in the Authority's revaluation reserve at 31 March 2015 is set out in note 30.

The cumulative revaluation surplus held in the Authority's revaluation reserve at 31 March 2015 was £840k (2013/14 restated £348k). The Group consolidated position at 31 March 2015 is £12,671k.

Infrastructure assets are held at depreciated historical cost.

Depreciation is calculated, from the final quarter of the year, on all property, plant and equipment with a finite useful life using the reducing balance method over the following asset lives, which were provided by the District Valuer as part of his asset valuation exercise:-

	<b>Years</b>
Infrastructure Assets	5-120
Freehold Property	30-40
Leasehold property	23
Vehicles, Vessels, Plant, Furniture & Equipment	4-20

**16. Heritage Assets**

	<b>LCRCA</b>	<b>Subsidiaries</b>	<b>Group</b>
	<b>Statues</b>	<b>Statues</b>	<b>Statues</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
At 1 April 2014	450	711	<b>1,161</b>
Additions	-	-	-
At 31 March 2015	450	711	<b>1,161</b>

The Authority's assets comprise two statues on display at the Liverpool entrance to the Queensway tunnel and two sculptures on display at the entrance to Georges' Dock building.

The Group position also includes Merseytravel and TBS heritage items.

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

**17. Capital Expenditure and MRP Borrowing**

Capital expenditure and MRP borrowing amounting to £25.3m and £0m respectively were financed as follows:

Authority	2014/15		
	Capital Outlay £000	MRP Borrowing £000	Total £000
<b>Expenditure</b>			
Property Plant & Equipment	6,701	-	6,701
Leasehold Improvements	-	-	-
REFCUS - Capital Grants made to the Merseytravel for Infrastructure etc	18,589	-	18,589
Reborrowing Principal repaid in excess of MRP	-	1,423	1,423
	<b>25,290</b>	<b>1,423</b>	<b>26,713</b>
<b>Financing</b>			
(Under)/overcover financed brought forward at 1 April	-	(5,648)	(5,648)
Capital Grants and contributions	18,589	-	18,589
Capital Receipts Applied	19	-	19
Tunnels Repairs and Renewals Fund/Toll income	6,682	-	6,682
Leasehold Incentive arrangement	-	-	-
(Over)/under financed carried forward at 31 March	-	7,071	7,071
	<b>25,290</b>	<b>1,423</b>	<b>26,713</b>

Revenue Expenditure Funded from Capital under Statute (REFCUS) represents charges to the Comprehensive Income and Expenditure Statement for capital grants to Merseytravel, which are utilised by it to fund its' capital expenditure.

**18. Analysis of capital grants/contributions received during the year**

	Group	LCRCA
	2015	2015
	£000	£000
Capital grants and contributions	18,738	18,738
Less: amounts not yet applied	( 149)	( 149)
	18,589	18,589
Other Capital receipts		
Disposal of assets	101	19
Less: amounts not yet applied	-	-
	101	19
<b>Total</b>	<b>18,690</b>	<b>18,608</b>

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

**19. Intangible assets**

The Authority Group has intangible assets as a result of goodwill arising on the purchase of Gemtex Ltd and The Beatles Story by its subsidiary company Mersey Ferries Ltd. In addition, the Group also classes the purchase of software licenses as intangible assets and amortises them over the life of the licence.

	<b>Goodwill on Consolidation</b>	<b>Licenses &amp; Fab 4D Film</b>	<b>2014/15 Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Cost or valuation:</b>			
<b>Opening balance:</b>			
Gross carrying amount	2,803	20	2,823
Reclassification of assets		333	333
Additions in year		6	6
Accumulated amortisation	( 1,108)	( 20)	( 1,128)
<b>Opening net carrying amount</b>	<b>1,695</b>	<b>339</b>	<b>2,034</b>
<b>Amortisation and impairment:</b>			
Amortisation	-	( 70)	( 70)
<b>Net carrying amount at end of year</b>	<b>1,695</b>	<b>269</b>	<b>1,964</b>
			-
<b>Comprising:</b>			
Gross carrying amount	2,803	359	3,162
Accumulated amortisation	( 1,108)	( 90)	( 1,198)
	<b>1,695</b>	<b>269</b>	<b>1,964</b>

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

The Authority has performed its annual impairment test as at 31 March 2015. The recoverable amount of The Beatles Story is determined on a value in use basis using cash flow projections based on financial budgets approved by the board for the next 5 years. The discount rate applied to the cash flows is 6.0% as per Treasury Green Book recommendation (2014: 6%). The growth rate used to extrapolate the cash flows beyond the 2015/16 year period is 3% for expenditure and 1% for income growth. (2013/14 3% for expenditure and 1% for income), which is consistent with expected growth rates over previous years in this business area. 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 2014/15.

## 20. Investments

Name	Immediate parent	Group holding	Nature of the business	interest 31 March 2015
Mersey Ferries Ltd	Merseytravel	Company limited by guarantee	Passenger Transport	N/A
Merseyside Passenger Transport Service Ltd	Merseytravel	25 £1 Ord. Shares 375 £1 5% Non Cumulative Pref shares	Leasing	100
Real Time Information Group Limited	Merseytravel	1 £1 Ord Shares	Real Time Information systems	100
Global Smart Media Ltd	Merseytravel	17,648 - 10p Ord Shares	Smartcard	87.9
Accrington Technologies Ltd	Merseytravel	500 £1 Ord Shares	Smartcard	50.1
The Beatles Story Ltd	Mersey Ferries Ltd	290,000 £1 Ord Shares	Tourism	100

All companies are incorporated in the United Kingdom

### Dormant companies

The Authority has no directly owned subsidiaries. However, Merseytravel does - Merseytravel Ltd is a wholly owned subsidiary that was dormant in the year ended 31 March 2015.

### Group:

The Group Investment is the estimated cost, less any impairment, of Merseytravel's investment in £256,068 Ordinary £1 shares Smart Transactions Group Ltd (11.52% of its equity), through its subsidiary GSM. As Smart Transactions Group has incurred losses in the last two years for which accounts are available, the investment is considered impaired and is carried at £Nil in the financial statements.

Group	2015
	£000s
Equity investment held at cost	0

## 21. Short term Investments

Amounts represent investments with UK banking institutions for periods between 91 and 364 days. Investments of 90 days or less are shown as Cash and Cash Equivalents, please refer to note 25.

## 22. Assets held for sale

	Group 2015 £000's	LCRCA 2015 £000's
<b>Balance outstanding at the start of the year</b>	-	-
Assets newly classified as held for sale:		
Merseytram assets	180	-
Assets sold	-	-
<b>Balance outstanding at the year end</b>	<b>180</b>	<b>-</b>

**Profit/Loss on disposal of property, plant and equipment**

The reported gain or loss on disposal is calculated as the net sales proceeds less the net carrying value of the assets comprising both the carrying value of the assets sold and any unamortised grant outstanding. For 2014/15 Group this was £24k loss re the disposal of surplus land

**23. Inventories**

Reconciliation	<b>Group</b>	<b>LCRCA</b>		
	<b>2015</b>	<b>2015</b>		
	<b>£000</b>	<b>£000</b>		
<b>Balance outstanding at the start of the year</b>	1,038	622		
Purchases	}	}		
Recognised as an expense in the year			32	(57)
Written off in the year				
<b>Balance outstanding at the year end</b>	1,070	565		

Analysis	<b>Group</b>	<b>LCRCA</b>
	<b>2015</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
General stores and consumables	453	400
Retail stock	452	-
Fast Tags	161	161
Fuel	4	4
Uniforms	-	-
<b>Total</b>	1,070	565

**24. Short and long term debtors**

**a) Amounts falling due within one year:**

	<b>Group</b>		<b>LCRCA</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Central Govt bodies *	2,296	2,319	16	110
Other Local Authorities	5,934	496	3	26
NHS bodies	14	31	-	-
Other bodies	13,386	22,078	6,260	4,989
Public Corporations and trading funds		49	-	-
<b>Total current trade and other receivables</b>	<b>21,630</b>	<b>24,973</b>	<b>6,279</b>	<b>5,125</b>

\* Under a group registration scheme, VAT recoverable by Merseytravel of £1,688k has been consolidated and is included in Central Govt. bodies for the Group.

Trade receivables are non-interest bearing and are generally on terms of 30 days or less. They are shown net of a provision for impairment. For terms and conditions pertaining to related parties, refer to note 33. At 31 March 2014, Group trade receivables had a nominal value of £1,171k. Movements in the provision for impairment of receivables were as follows:



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24. Short and long term debtors (continued)

Bad debt provision	Group	LCRCA
	2015	2015
	£000	£000
Opening provision	310	1
Charge for the year		
Amounts written off	(5)	(1)
Unused amounts reversed	-	
<b>Closing provision</b>	<b>305</b>	<b>-</b>

As at 31 March 2015, the aged analysis of trade receivables was as follows:

	Total £000	Neither overdue nor impaired £000	Overdue but not impaired			
			29-50 days	51-90 days	91-185 days	>186 days
			£000	£000	£000	£000
<b>Group</b>						
31-Mar-14	1,036	773	81	88	94	0
31-Mar-15	866	697	132	33	4	
<b>LCRCA</b>						
31-Mar-14	7	4	0	1	1	1
31-Mar-15	89	89	0	0	0	0

b) Amounts falling due after more than one year:

	Group		LCRCA	
	2015	2014	2015	2014
	£000	£000	£000	£000
Other receivables	777	798	3,523	3,657
<b>Total</b>	<b>777</b>	<b>798</b>	<b>3,523</b>	<b>3,657</b>

The Authority has a long term loan to Merseytravel which was used to fund the purchase of The Beatles Story Ltd. It is repayable in annual instalments and will expire in 2032/33. Principal repayments in 2014/15 were £122k. It is extinguished upon consolidation. The other receivables are assessed as recoverable and no impairment is required.

25. Cash and cash equivalents

	Group	LCRCA
	2015	2015
	£000	£000
Cash and bank current account	21,773	(24,649)
Short term deposits with banks and building societies	19,181	19,181
<b>Total</b>	<b>40,954</b>	<b>(5,468)</b>

The Authority holds Merseytravel's cash balances of £46,422k for investment purposes. Merseytravel deposits its surplus cash funds with the Authority for periods between one day and three months depending on the immediate cash requirements of the respective entities.

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 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

26. Short Term Creditors

	Group		LCRCA	
	2015 £000	2014 £000	2015 £000	2014 £000
<b>Creditors due within 1 year:</b>				
Central Government Bodies	1,013	13,497	281	12,095
Other Local Authorities	5,446	3,633	4,409	2,111
NHS Bodies	-	-	-	-
Public Corporations	-	85	-	-
Other Entities and Individuals	24,410	27,423	33,927	31,128
	<b>30,869</b>	<b>44,638</b>	<b>38,617</b>	<b>45,334</b>

£27,100k (2014 £21,700k) held by the Authority and invested on behalf of Merseytravel is included in "Other Entities and Individuals" for the Authority.

PWLB debt charges of £10.8m (2014 £11.4m) is included in Central Government Bodies.

Trade payables are generally on terms of 30 days or less. The group policy is to pay within 30 days. Actual performance is as follows:

	LCRCA 2014/15
Total number of invoices paid	19,932
Invoices paid within 30 days	19,266
Actual proportion paid within 30 days	<b>96.7%</b>
Target	100%

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

27. Provisions

Provisions are established to meet liabilities or losses which are likely or certain to be incurred, but the amounts or timings are uncertain. Provisions during the year may be analysed as follows:

Provisions	Group		LCRCA	
	2015 £000	2014 £000	2015 £000	2014 £000
Short term	180	600	26	39
Long term	3,894	4,185	1,589	1,993
	<b>4,074</b>	<b>4,785</b>	<b>1,615</b>	<b>2,032</b>

Group	Total £000	Govt Initiatives £000	Contractual Obligations £000	Employment Related £000	Capital Expenditure £000	Contracted Maintenance £000	Taxation/ Leases £000
At 1 April 2014	4,785	200	1,323	804	1,539	919	-
Arising during the year	587	-	178	409	-	-	-
Reversed in year	(251)	-	(123)	(128)	-	-	-
Utilised during the year	(1,047)	-	(373)	(435)	(239)	-	-
<b>At 31 March 2014</b>	<b>4,074</b>	<b>200</b>	<b>1,005</b>	<b>650</b>	<b>1,300</b>	<b>919</b>	<b>-</b>

LCRCA	Total £000	Govt Initiatives £000	Contractual Obligations £000	Employment Related £000	Capital Expenditure £000	Contracted Maintenance £000	Taxation/ Leases £000
At 1 April 2014	2,032	200	61	232	1,539	-	-
Arising during the year	50	-	50	-	-	-	-
Reversed in year	(128)	-	-	(128)	-	-	-
Utilised during the year	(339)	-	(61)	(39)	(239)	-	-
<b>At 31 March 2014</b>	<b>1,615</b>	<b>200</b>	<b>50</b>	<b>65</b>	<b>1,300</b>	<b>-</b>	<b>-</b>

Significant provisions for both ITA and Group relate to:

- Government initiatives relates to the purchase of “carbon credits”;
- Contractual obligations relate to the Merseytram project and insurance claims;
- Employment related, are principally annual leave entitlements outstanding at the year end, pension obligations and job evaluation/harmonisation provisions;
- Capital expenditure relates to possible claw back of ERDF grant;
- Contracted maintenance relates to works previously thought to be rechargeable to a third party, and dredging costs

28. Contingent Assets and Liabilities

The Authority has no contingent assets or liabilities. For the LCRCA group, commercial negotiations are in process relating to disputed costs. The information usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of these negotiations.

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

29. Financial Instruments

Set out below is a comparison by class of the carrying amounts in the Statement of Financial Position of the Authority's financial assets and financial liabilities:

LCRCA	Carrying Amount		Fair Value	
	2015 £000	2014 £000	2015 £000	2014 £000
<b>Loans &amp; Receivables</b>				
<b>Financial Assets:</b>				
Long term loans and receivables	3,523	3,663	3,523	3,663
Current loans and receivables	134	122	134	122
Current financial assets carried at contract amounts	4,825	4,705	4,825	4,705
Long-term debtor	-	-	-	-
Short term investments	132,446	118,774	132,446	118,774
Cash & cash equivalents	(5,468)	261	(5,468)	261
<b>Financial Liabilities:</b>				
Current trade payables	6,420	19,128	6,420	33,981
Amounts deposited from Merseytravel	27,100	21,700	27,100	29,400
Interest bearing loans and borrowings measured at amortised cost:				
Fixed rate borrowings - due within one year	10,773	11,099	13,062	11,099
Fixed rate borrowings - due after one year	213,527	224,299	312,071	336,262

Group	Carrying Amount		Fair Value	
	2015 £000	2014 £000	2015 £000	2014 £000
<b>Financial Assets:</b>				
Equity investments held at cost	-	-	-	-
Loans & Receivables				
Current loans and receivables	38	34	38	34
Current financial assets carried at contract amounts	13,076	22,963	13,076	22,963
Long-term debtor	777	799	777	799
Short term investments	132,446	118,774	132,446	118,774
Cash & cash equivalents	40,954	36,170	40,954	36,170
<b>Financial Liabilities:</b>				
Current trade payables	25,418	39,870	25,418	39,870
Interest bearing loans and borrowings measured at amortised cost:				
Fixed rate borrowings - due within one year	10,773	11,099	13,062	11,099
Fixed rate borrowings - due after one year	213,527	224,299	312,071	296,348

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

**Analysis of borrowing repayable**

LCRCA	Range of Interest Rates Payable	Total Outstanding	
		2015	2014
Source of Loan		£000	£000
Public Works Loan Board	Variable Rates	-	-
Public Works Loan Board	4.3% to 7.7% average rates	199,127	207,567
Department of Transport	4.7%	0	369
Wirral MBC	5.8%	25,173	27,462
		224,300	235,398
<b>An analysis of loans by maturity is:</b>			
Maturing in -			
- within one year		10,773	11,099
- 1 to 2 years		10,820	10,773
- 2 to 5 years		32,106	32,296
- 5 to 10 years		49,439	50,804
- More than 10 years		121,162	130,426
		224,300	235,398

**Fair Values of Assets and Liabilities**

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Statement of Financial Position at amortised cost.

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value, which includes accrued interest as at the balance sheet date; therefore accrued interest is included in the fair value calculation.

For loans and borrowings, fair value is determined by calculating the Net Present Value of future cash flows, thus estimating the value of future payments in today's terms. The discount rate used should be equal to the current rate for a similar loan from a comparable lender. This will be the market rate applicable on the date of valuation for a loan with the same outstanding period to maturity

The discount rates used for the evaluation were obtained by LCRCA from the Public Works Loan Board and the fair value of borrowing through the PWLB has been calculated by reference to the premature repayment set of rates in force on 31 March 2014 and 31 March 2015 respectively. For both years, the respective interest rates have been used as a discounting factor applied to future cash flows of the undischarged balance of the loans at 31 March 2014 and 2015. A similar calculation has been done for the fair value of the Wirral MBC loans using the national loans rates at 31 March 2014 and 2015 as discount factors.

Other assumptions used, which do not have a material effect on the fair value evaluation are:

- Interest is calculated using a 365 day basis
- Interest is paid on the maturity date
- No adjustment has been made to the interest value and date, where a relevant date occurs on a non-working day
- Estimated ranges of interest rates at 31 March 2015 of 4.3% to 7.7%
- No early repayment or impairment is recognised
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

No loans were taken out during 2014/15 and there are no loans are secured against the Authority's assets. The fair values of the following classes of financial instruments approximate their carrying

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

**29. Financial Instruments (continued)**

amounts due to the short term maturities of these instruments:

- Trade receivables
- Trade payables and accruals for expenditure recognised
- Cash and short term deposits
- Receivables from and deposits with Merseytravel
- Amounts due from group undertakings

The amounts recognised in the Income and Expenditure Statement and Statement of Other Comprehensive Income can be summarised as follows:

Group & LCRCA	2015			
	£000			
	Financial Liabilities measured at amortised cost		Financial Assets: Loans and Receivables	
	Authority	Group	Authority	Group
Interest expense	(12,921)	(12,921)	-	-
Impairment losses (bad debts)	-	-	-	-
<b>Total expense in Surplus of Deficit on the Provision of Services</b>	<b>(12,921)</b>	<b>(12,921)</b>	<b>-</b>	<b>-</b>
Interest Income			1,782	1,830
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>-</b>	<b>1,782</b>	<b>1,830</b>
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-
<b>Surplus or deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net gain/(loss) for the year</b>	<b>(12,921)</b>	<b>(12,921)</b>	<b>1,782</b>	<b>1,830</b>

**Risk Factors**

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Resources Directorate, under policies approved by the Authority in its Treasury Management Strategy.

*Credit risk*

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. The risk is minimised through the Treasury Management Strategy. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of P1 and A3 (Moody's) and/or F1 and A (Fitch's), with weightings of the total amount deposited in the highest rated categories. The Authority has a policy of spreading its surplus balances over several institutions.

The following analysis summarises the Authority's potential maximum exposure to credit risk on the other financial assets, based on experience of default and un-collectability over the last five financial years, adjusted to reflect current market conditions:

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 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

29. Financial Instruments (continued)

	Amount at 31 March 2015	Historical Experience of default %	Historical experience adjusted for market conditions at 31 March 2015	Estimated maximum exposure to default and uncollectability as at 31 March 2015	Estimated maximum exposure to default and uncollectability as at 31 March 2014
<b>Group</b>					
Trade receivables	1,348	13	1,171	1,171	901
External loans receivable	134	-	134	134	128
Group loans receivable	-	-	-	-	-
				<b>1,305</b>	<b>1,029</b>
<b>LCRCA</b>					
Trade receivables	8	13	7	7	7
External loans receivable	-	-	-	-	-
Group loans receivable	3,523	-	3,523	3,523	3,663
				<b>3,530</b>	<b>3,670</b>

*Liquidity risk*

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments. There is a future risk that the Authority will be bound to replenish a proportion of its borrowings at a time of unfavourable interest rates, however this risk is several decades in the future and will be significantly covered by Minimum Revenue Provision (MRP) balances. Details of the maturity of debt are given earlier in this note.

*Market risk*

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the CIES or MIRS. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the CIES or MIRS. Movements in the fair value of fixed rate investments will be reflected in the MIRS.

*Price risk:* The Authority does not generally invest in equity shares but the Group Accounts do reflect shareholdings in a number of subsidiaries.

As the shareholdings have arisen in the acquisition of specific interests, the Group is not in a position to limit its exposure to price movements by diversifying its portfolio.

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

In all cases, the carrying value of financial instruments is a reasonable approximation to fair value.

*Hedging Instruments*

The Authority holds no financial instruments that could be classified as hedging instruments.

**LIVERPOOL CITY REGION COMBINED AUTHORITY  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

**30. Reserves**

(a) **Useable Reserves**

The LCRCA inherited reserves from the MITA as at 1 April 2014. The following table details the reserves and the position as at 31 March 2015:

	<b>As at 01 April 2014 £000</b>	<b>Transfers out £000</b>	<b>Transfers in £000</b>	<b>As at 31 March 2015 £000</b>
Capital reserve	10,168	-1,147		9,021
Infrastructure reserve	3,000		18,628	21,628
Revenue reserve	1,142			1,142
Rail financing reserve	49,520			49,520
Restructuring reserve	1,286			1,286
Grant/Contributions unapplied reserve	7,933		149	8,082
Tunnels reserve & renewals reserve	5,757			5,757
Highways grant	0	-6,600	6,600	0
<b>LCRCA Earmarked reserves</b>	<b>78,806</b>	<b>-7,747</b>	<b>25,377</b>	<b>96,436</b>
Merseytravel Group Earmarked reserves	54,129	-3,623	17,371	67,877
<b>LCRCA Group Earmarked reserves</b>	<b>132,935</b>	<b>-11,370</b>	<b>42,748</b>	<b>164,313</b>

- Capital reserve – is used to support the Authority’s funding of capital programmes
- Infrastructure reserve – has been created to support the strategic decisions of the LCRCA
- Revenue reserve – created to allow funding for unbudgeted financial events during the year
- Rail Financing reserve – has been created to support the proposed delivery of a new rolling stock fleet
- Restructuring reserve – created to provide support to staffing cost implications of service transformation programmes
- Grants/Contributions unapplied – represents grants etc. received but not yet utilised, to support the delivery of the capital programmes
- Tunnels Repairs and Renewals fund – used to support the Tunnels capital programme (see note below)
- Highways grant – to provide support the Merseyside district council highways maintenance programmes

It is the Authority’s policy that the Tunnels Reserve and Renewals Fund shall not be less than £2.5m. In the event that funds fall below the £2.5m threshold, budgetary provision in the following year will be made to restore the level to £2.5m. Budgets for 2014/15 assumed £1.0m would be transferred from the fund to part finance the Tunnels capital programme. However, as the capital programme spending was less than the budgeted amount, the transfer from the Repairs and Renewals Fund was not deemed necessary. The Fund’s value remained at £5.8m as at 31 March 2015.



(b) **Unusable Reserves**

	Group		LCRCA	
	2015	2014	2015	2014
	£000s	£000s	£000s	£000s
Pension Reserve	(102,192)	(78,738)	-	(11,537)
Revaluation Reserve	12,671	12,453	840	348
Capital Adjustment Account	57,331	47,514	57,331	47,514
Financial Instruments adj account	9	22	9	22
Deferred Capital Grants	92,938	95,579	-	-
<b>Total Unusable Reserves</b>	<b>60,757</b>	<b>76,830</b>	<b>58,180</b>	<b>36,347</b>

(c) **Pensions Reserve**

The Pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post -employment benefits and for funding benefits in accordance with statutory provisions. The Authority 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 the Authority makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Group	LCRCA
	2015	2015
	£000	£000
<b>Balance at 1 April</b>	(78,738)	(11,537)
Actuarial (gains)/losses	-	-
Remeasurements assets and liabilities	(23,231)	-
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(7,561)	-
Transfer of deficit to Merseytravel*	-	11,537
Employers Pension Contributions and direct payments to pensioners in the year	7,338	-
<b>Balance at 31 March</b>	<b>(102,192)</b>	<b>-</b>

\* relates to the abolition of MITA and the TUPE of staff to Merseytravel with effect from 1/4/14. All liabilities transferred to Merseytravel at this date.

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015**

**(d) Revaluation Reserve**

The Revaluation reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. 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
- Disposed of and the gains are realised.

	<b>Group</b>	<b>LCRCA</b>
	<b>2015</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	12,453	348
Downward revaluation and impairment losses not charged to the surplus/deficit on the provision of services	(2,787)	(2,513)
Upward revaluation of assets	3,005	3,005
Difference between fair value depreciation and historical cost depreciation	-	-
<b>Balance at 31 March</b>	<b>12,671</b>	<b>840</b>

**(e) Capital Adjustment Account**

The Capital Adjustment Account absorbs 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 debited with the cost of acquisition, construction or enhancement as depreciation; impairment losses and amortisation are charged to the 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 the Authority as finance for the costs of acquisition, construction and enhancement.

The account contains gains on donated assets that have yet to be consumed by the Authority.

	<b>Group</b>	<b>LCRCA</b>
	<b>2015</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	47,514	47,514
Reversal of items relating to capital expenditure debited or credited to the Income and Expenditure Statement:		
Revenue funded from capital under statute	(18,663)	(18,663)
Amounts written out to the Revaluation Reserve	(3,005)	(3,005)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>22,290</b>	<b>22,290</b>
<b>Capital financing applied in the year:</b>		
Capital grants and contributions credited to the Income and Expenditure Statement that have been applied to capital financing	18,663	18,663
Statutory provision for the financing of capital investment charges against the General Fund	9,676	9,676
Capital expenditure charged against the General Fund	6,702	6,702
<b>Balance at 31 March</b>	<b>57,331</b>	<b>57,331</b>

(f) **Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for trading losses or benefiting from gains per statutory provisions.

	Group		LCRCA	
	2015	2014	2015	2014
	£000	£000	£000	£000
<b>Balance at 1 April</b>	22	36	22	36
Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	(13)	(14)	(13)	(14)
<b>Balance at 31 March</b>	9	22	9	22

(g) **Deferred Capital Grants**

GROUP	Deferred Capital Grants £000's
<b>Balance at 1 April 2014</b>	95,579
Revaluation reserve depreciation charge	
Grants received LCRCA	
Grants received European Union	
Grants Applied:	
Property plant and equipment	3,717
Deferred charges	
Re EU schemes	
Transfer from Capital reserves	
Use of capital receipts	
Released to Revenue:-	
Disposal of PPE	( 106)
Revaluation reserve adjustment	1,792
Depreciation/Impairment charge	( 8,044)
<b>Balance at 31 March 2015</b>	92,938

**31. Pension Costs**

Although the LCRCA does not employ staff, the Group position shows the impact of the Pension arrangements for the staff employed by Merseytravel. As part of the terms and conditions of employment of its officers and other employees, Merseytravel offers retirement benefits. The Merseyside Pension Fund administers, on Merseytravel's behalf, a Local Government Superannuation Scheme that provides for the cost of meeting the future pension liabilities of Merseytravel's workforce. This is a funded defined benefit final salary scheme, meaning that Merseytravel and its' employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets. The contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, the last of which was carried out as at 31 March 2013 by Mercer, a firm of Actuaries specializing in Pensions. Under Pension Fund regulations contribution rates are set to meet the estimated overall liabilities of the Fund.

The Authority funds Merseytravel's employer's contribution of £7,338k to the Pension Fund, representing 14.4% of pensionable pay. The contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, the next review being effective from 1 April 2016. Under Pension Fund regulations contribution rates are set to meet the overall liabilities of the Fund.

**31. Pension Costs (continued)**

**Transactions relating to retirement benefits**

The cost of retirement benefits in the net cost of services is recognised when the cost is earned by an employee, rather than when the benefit is eventually paid as pension. However, the charge made against the levy is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Group CIES and Group Pension Reserve during the year:-

(i) Income and expenditure statement

	<b>Group</b>
	<b>2015</b>
	<b>£000s</b>
<b>Income and Expenditure Statement:</b>	
<i>Net cost of services:</i>	
Current service cost	4,356
Past service cost/(gain)	38
Administration expenses	103
Settlements and Curtailments	58
<i>Financing and Investment Income and Expenditure:</i>	
Net Interest cost	3,006
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>7,561</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
Actuarial (gains)/losses	-
Remeasurements -Liabilities Experience (gain)/loss	
Remeasurements - (Gain)/Loss financial assumptions	40,358
Remeasurements - (Gain)/Loss on demographic assumptions	
Remeasurements (assets)	(17,127)
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>23,231</b>
<b>Movement in Reserves Statement:</b>	
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(23,454)
<b>Total Post Employment Benefits Charged in the year to the Movement in Reserves Statement</b>	<b>(23,454)</b>
<b>Summary of amounts charged to Reserves and Income and Expenditure Statement:</b>	
Employer's contributions payable to the scheme	7,338
Retirement benefits payable to pensioners	13,232

31. Pension Costs (continued)

(ii) General Fund Balance

	<b>Group</b>
	<b>2015</b>
	<b>£000s</b>
Actual amount charged against the General Fund Balance for pensions in the year:	
Employer's contributions	7,338

(iii) Reconciliation of present value of the scheme's liabilities

	<b>Group</b>
	<b>2015</b>
	<b>£000s</b>
Benefit obligations at 1 April	239,452
Current service cost	4,356
Interest on pension liabilities	12,610
Member contributions	1,412
Past service cost/(gain)	38
Remeasurements	40,358
Curtailments	58
Settlements	-
Benefits/transfers paid	(13,232)
Business Combinations	53,072
<b>Benefit obligations at 31 March</b>	<b>338,124</b>

(iii) Reconciliation of the fair value of the scheme's assets:

	<b>Group</b>
	<b>2015</b>
	<b>£000s</b>
Fair value of plan assets at 1 April	172,251
Expected return on plan assets	-
Interest on plan assets	9,604
Actuarial (gains)/losses	-
Remeasurements	17,127
Administration expenses	(103)
Settlements	-
Business Combinations	41,535
Employer contributions	7,338
Member contributions	1,412
Benefits/transfers paid	(13,232)
<b>Fair value of plan assets at 31 March</b>	<b>235,932</b>

**31. Pension Costs (continued)**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the date of the Statement of Financial Position. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on plan assets for the Group was £26.7m

(v) Scheme history

	<b>Group</b>
	<b>2014/15</b>
	<b>£000's</b>
Present value of scheme liabilities	(338,124)
Fair value of scheme assets	235,932
Surplus/(deficit) in the scheme	(102,192)

Statutory arrangements for funding the above deficits mean that the financial position of the Group remains healthy (i.e. the deficit on the Merseyside Pension Scheme will be made good by increased contributions over the remaining working life of employees as assessed by the Scheme Actuary).

(vi) Pension contributions for 2015/16

The total estimated contributions expected to be made to the Scheme by the Group in the year to 31 March 2016:

	£'000
Expected Employer Contribution	2,540
14.4% of Pensionable Pay (£20.6m)	2,966
Unfunded Pension Liabilities	789
	-----
	<b>6,295</b>
	=====

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis by Mercer, an independent firm of actuaries, using the projected unit method, which is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. It is based on the latest full valuation of the scheme as at 31 March 2013. The principal assumptions used by the actuary were:-

(i) Expected rate of return on assets in the scheme:

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GROUP	2014/15	
	Expected Rate of Return on Assets %	Split of Assets between Investment Categories %
Equity investments	6.5	54
Government bonds	2.2	18
Other bonds	2.9	0
Property	5.9	8
Cash/liquidity	0.5	3
Other	N/A	17
		100

**31. Pension Costs (continued)**

(ii) Other assumptions

	Group 2014/15
Mortality assumptions:	
Longevity at 65 for current pensioners	
Men (years)	22.4
Women (years)	25.3
Longevity at 65 for future pensioners	
Men (years)	24.8
Women (years)	28.1
Rate of Inflation (CPI)	2.00%
Rate of increase in salaries	3.50%
Rate of increase in pensions	2.00%
Rate for discounting scheme/liabilities	3.20%
Take-up of option to convert annual pension	N/A
	N/A

**History of gains and losses**

Group	2014/15	
	£000	%
Remeasurements - assets	17,127	7.0
Remeasurements - liabilities	(40,358)	(12.0)
Total	(23,231)	
Discount Rate		3.0%

The actuary carried out average age of the membership investigations as part of the 2013 actuarial valuation. Assumptions made in these figures are derived from the 2013 valuation exercise.

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Compensatory added year's benefits which are recharged to the Authority have been included in the liabilities for the purpose of IAS 19 calculations.

**Group Pension Fund Sensitivity Analysis as at 31 March 2015:**

Group	Central	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4
	£000's	+0.1% pa discount rate £000's	+0.1% inflation £000's	+0.01% pay growth £000's	1 yr increase life expectancy £000's
Disclosure item					
Liabilities	338,124	332,793	343,541	339,357	344,894
Assets	(235,932)	(235,932)	(235,932)	(235,932)	(235,932)
Deficit/(Surplus)	102,192	96,861	107,609	103,425	108,962
Projected service cost for next year	5,200	5,088	5,317	5,200	5,314
Projected net interest costs for next year	3,169	3,093	3,355	3,221	3,399

**31. Pension Costs (continued)**

**Detailed Asset Breakdown as at 31<sup>st</sup> March 2015**

Asset category	Group Sub-category	Quoted	31/3/2014	%	31/3/2015	%
			£000		£000	
<b>Equities</b>	UK Quoted	Y	56,512	26	56,293	24
	Global quoted	Y	65,095	30	71,061	30
<b>Bonds</b>	UK Government	Y	9,019	4	11,797	5
	UK Corporate	Y	5,641	3	6,111	3
	UK Index linked	Y	20,347	10	23,027	10
<b>Property</b>	UK Direct	N	10,438	5	13,212	6
	Property Managed - (UK quoted)	Y	1,318	1	779	0
	Property Managed - (UK unquoted)	N	3,383	2	3,138	1
	Property Managed - (Global)	N	2,006	1	2,359	1
<b>Alternatives</b>	Private equity -(UK quoted)	Y	154	0	94	0
	Private equity -(UK unquoted)	N	5,496	3	7,054	3
	Private equity - (Global unquoted)	N	5,185	2	6,465	3
	Hedge funds - (UK quoted)	Y	604	0	590	0
	Hedge funds - (UK unquoted)	N	8,752	4	1,274	1
	Hedge funds - (Global unquoted)	N	320	0	7,196	3
	Infrastructure - (Global quoted)	Y	648	0	637	0
	Infrastructure - (UK unquoted)	N	1,936	1	3,303	1
	Infrastructure - (Global unquoted)	N	1,698	1	1,958	1
	Opportunities - (UK quoted)	Y	3,119	1	4,318	2
	Opportunities - (UK unquoted)	N	2,981	1	4,837	2
<b>Cash</b>	Opportunities - (Global quoted)	Y	1,838	1	708	0
	Opportunities - (Global unquoted)	N	1,620	1	2,572	1
	Cash instruments	Y	5,676	3	7,149	3
			<b>213,786</b>	<b>100</b>	<b>235,932</b>	<b>100</b>



**32. Prudential Borrowing**

The Authority is required under the Local Government Act 2003 and the Prudential Code for Capital Finance in Local Authorities, (developed by CIPFA) to monitor its performance against a framework of indicators. These indicators set limits of performance, affordability, prudence and sustainability and are comparable to the estimated indicators approved by the Authority at its meeting on 13 February 2015:-

	2014/15	2014/15
LCRCA	Revised	Actual
	Estimate	
	£m	£m
<b>Capital Expenditure</b>		
Transport - Other	21.9	18.7
Tunnels	9.0	6.7
Programme Slippage		
	30.9	25.4
<b>Ratio of Financing Costs to net Revenue Stream</b>	16.8%	16.3%
<b>Capital Financing Requirement (Including Transferred Debts)</b>	225.0	232.0

**33. Related party disclosures**

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. The directors regard the following as related parties:

(a) Directors and Authority members

Two Merseytravel directors have a dual role as chief officers of both Merseytravel and the Combined Authority respectively:

- Chief Executive/Head of Paid Service
- Director of Resources/Treasurer

However, both of these officers are directly employed and receive remuneration from Merseytravel.

A further officer from Knowsley MBC also has a dual role as an officer for their own organisation and the Combined Authority:

- Monitoring officer for both St Helens Council and the Combined Authority

This officer is also directly employed by and receives remuneration from St Helens MBC

In some instances Merseytravel directors are also directors of Merseytravel's subsidiary companies. All directors' emoluments and member allowances are met in full by Merseytravel.

All members have at least two roles under the Local Government Act 1985 in that they represent both the District Councils and the Combined. Several members also represent certain other bodies including the Local Government Association, CA Special Interest Group, Mersey Dee Alliance, North West LA's Employers Organisation, North West Rail Forum, West Coast Rail Campaign, North of England Regional Consortium (including North West Regional Association, North West Partnership & North West Regional Chamber), Merseyside Strategic Transportation & Planning Committee, Travel Safe Board, Local Enterprise Partnership, the City Region Board

**32. Related party disclosures (continued)**

and Mersey Ferries Ltd. It is deemed that there is no conflict of interest.

Transactions with the above external bodies may include grants or contributions with specific conditions and requirements imposed upon the Authority. The majority of these will follow statutory or other Government guidance. Members set the levy in consultation with District Councils. The Levy funds the balance of service costs not covered by income or grant and for 2014/15 £127,364k was paid by the District Councils. The Authority also set the Tolls for Mersey Tunnels after consultation.

Details of Member's allowances are set out in note 10.

(b) Directors to Merseytravel's Subsidiary Companies

Note 20 details the Authority's Group subsidiary companies. The Objectives of the subsidiary companies are compatible with those of the Authority

(c) Subsidiary Companies

The Authority controls its subsidiaries, as set out in note 20. As the Authority operates one bank account, an inter-company debt exists between the Authority and Merseytravel of £46,167k. In addition the following were the transactions during the year and balances at the year end with Merseytravel:

	Transactions during year		Balances at 31 March	
	Income from £000	Expenditure with £000	Receivable from £000	Payable to £000
Merseytravel (grant-related) 2015	-	216,557		
Merseytravel (short term deposits) 2015				27,100

Further details of the Authority's relationship with, and the grants paid to Merseytravel are contained within the Explanatory Forward on page 3 of the accounts. Outstanding balances as at 31 March are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received. No impairment of receivables has occurred during the year.

(d) European Union

Participation in fuel and energy saving projects, and part funding for infrastructure projects generate various grants for the Authority's subsidiary, Merseytravel. There are minor controlling influences upon Merseytravel in that certain procedural requirements have to be met to ensure benefits can be claimed and received. ERDF grant of £597k was received in 2014/15

(e) Merseyside Pension Fund

The Merseyside Pension Fund, which is administered by Wirral Council, is considered a related party as Merseytravel is a member of the Pension Fund. Full details of transactions with the Pension fund are set out in note 31

(f) UK government

In 2014/15 the Authority received:

- Strategic Rail Grant of £95,438k

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- Local Transport Plan (LTP) Grant funding of £9.0m
- Better Bus Area Grant of £203k
- Clean Bus grant of £420k
- LSTF grant of £592k

LCRCA has been appointed as the Accountable body for Local Growth Fund monies due to be released by central Government in April 2015.

- (j) PWLB/DfT – the Authority has a substantial loans portfolio with both bodies and details of the transactions and balances are set out in note 29.

**33. Commitments**

**Capital Commitments**

As at 31 March 2015 the Authority was contractually committed to further capital works which amounted to approximately £7.2m. The Group position showed commitments of £14.7m Major contracts included the following schemes:-

	<b>Group</b>	<b>LCRCA</b>
	<b>2015</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
	<b>Budget</b>	<b>Budget</b>
Mersey Tunnels	7,220	7,220
Electric charging posts	200	-
Formby rail station access	825	-
Newton le Willows	5,200	-
Clean bus grants	100	-
Ferries Improvements	953	-
Other Schemes	165	-
<b>Total Capital Commitments</b>	<b>14,663</b>	<b>7,220</b>

**Authority Lease commitments**

The Authority entered into a 30 year non-cancellable operating lease for its new headquarters building at Mann Island. The Authority received an incentive from the developer of £9m which equates to a 3 year rent free period, and which was used to finance the cost of bringing the building to a Category B fit out and also to finance the purchase of ICT and furniture. The incentive is being amortised over the life of the lease with the deferred credit at 31 March 2015 of £8,751k (2014 - £9,101k) shown in the balance sheet as Other Long Term Liabilities, £8,401k and £350k included within current liabilities.

A rent guarantee incentive of £3m was also secured in 2011/12 to compensate the Authority for vacant floors (floors 3-5) for which rental is being paid. This rental guarantee continues to be drawn down if floors are vacant up to a limit of 5 years. Any balance unused will be split equally between the Authority and the developer of Mann Island, Countrywide Neptune.

The Authority has no assets held under finance leases.

**Group Lease Commitments**

Total commitments payable by the group under non-cancellable operating leases are as follows:

	<b>Group</b>	<b>LCRCA</b>
	<b>2015</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Operating leases which will expire:		
Within 1 year	15,019	2,861
Within 2 to 5 years	44,879	11,444
Over 5 years	62,942	62,942

The Authority will receive sublease income in respect of the above properties of £467k per annum (£4,389k in total) under non-cancellable property subleases – please see below.

The Authority, through Merseytravel's subsidiary company MPTS, has one operating lease for the operating rental of the Merseyrail Rolling Stock. Merseytravel has a back to back lease with Merseyrail Electrics who fully reimburse the cost of this lease. In the unlikely event that Merseyrail Electrics default in its payment the Authority, through Merseytravel, would guarantee the lease payments to the Lessor, Angel Trains, until a replacement franchise operator was appointed.

The lease with Angel Trains was due to expire in May 2015. However, negotiations have recently finalised to extend this lease until new rolling stock becomes available or the existing fleet undergoes a major refurbishment. The lease costs in the above table reflect the existing position of expiry in December 2018.

**Lessor**

The Authority, through Merseytravel, holds several operating leases with third parties. These are for interchange sites and ferry terminals in the Merseyside area. These non -cancellable leases have remaining terms of between 2 and 17 years.

Future minimum payments receivable under non-cancellable operating leases are:

	<b>Group</b>	<b>LCRCA</b>
	<b>2015</b>	<b>2015</b>
	<b>£000's</b>	<b>£000's</b>
Operating leases which will expire:		
Within 1 year	1,061	467
Within 2 to 5 years	4,189	1,867
Over 5 years	9,070	2,055

Departure charges and facility fees charged to bus operators for the use of Merseytravel's bus stations are not included in the above table. For 2014/15, Merseytravel received £1,104k (2013/14 £1,068k) for these fees.

**34. Post balance sheet events**

The Authority has considered events after the date of the Statement of Financial Position up to the time of the authorisation of the Statement of Accounts. The figures in the financial statements have been adjusted in all material

There have been no significant events since 31 March 2015 that are relevant to an understanding of the Authority's financial position.

## **LIVERPOOL CITY REGION COMBINED AUTHORITY GLOSSARY OF FINANCIAL TERMS**

### **ACCOUNTING POLICIES**

The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

### **ACCRUALS**

Amounts included in the accounts for income or expenditure relation to the financial year but not received or paid as at 31<sup>st</sup> March.

### **BALANCES (OR RESERVES)**

These represent accumulated funds available to the authority. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities. There are a number of unusable reserves which are used for technical accounting purposes.

### **CAPITAL EXPENDITURE**

Payments for the acquisition, construction, enhancement or replacement of assets such as land, buildings, roads, and computer Equipment.

### **CAPITAL ADJUSTMENT ACCOUNT**

A reserve set aside from revenue resources or capital receipts to fund capital expenditure or the repayment of external loans and certain other capital financing transactions.

### **CAPITAL RECEIPTS**

Income received from the sale of land, buildings or equipment.

### **CENTRAL SUPPORT SERVICES**

Support provided to front line services by the administrative and professional officers, including financial, legal, personnel, computer, property and general administrative support.

### **COMMUNITY ASSETS**

The class of Fixed Assets held by an authority in perpetuity that have no determinable useful life and may have restriction on their disposal, such as parks and open spaces, historical buildings, works of art, etc.

### **CONTINGENT ASSET**

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

### **CONTINGENT LIABILITY**

A contingent liability is either:

- A possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Council (e.g. the outcome of a court case); or
- A present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.

### **CORPORATE AND DEMOCRATIC CORE**

This comprises all activities which local authorities engage in specifically because they are elected, multi-purpose organisations. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. It includes cost relating to the corporate management and democratic representation.

### **CREDITORS**

Amounts owed by the Authority for goods and services received but not paid for as at 31<sup>st</sup> March.

### **DEBTORS**

Amounts owed to the Authority for goods and services provided but where the associated income was not received as at 31<sup>st</sup> March.

### **DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not

## **LIVERPOOL CITY REGION COMBINED AUTHORITY GLOSSARY OF FINANCIAL TERMS**

directly related to the investments of the scheme.

### **DEFERRED CAPITAL INCOME**

Deferred Capital Income comprises amounts derived from sales of assets which will be received in instalments over agreed periods of time.

### **DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employee pays regular fixed contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods.

### **DEPRECIATION**

A measure of the cost of the economic benefits of the tangible fixed asset consumed during the period.

### **EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the Authority, which need to be disclosed separately by virtue of their size or incidence to give a fair representation in the account.

### **FINANCE LEASE**

A lease that substantially transfers the risks and rewards of a fixed asset to the lessee. With a finance lease, the present value of the lease payments would equate to substantially the all of the fair value of the leased asset.

### **FIXED ASSETS**

Tangible assets that yield benefit to the Authority and the services it provides for a period of more than one year.

### **GENERAL FUND**

The account to which the cost of providing the Authority Services is charged that are paid for from Council Tax and Government Grants

### **IMPAIRMENT**

A reduction in the recoverable amount of a fixed asset, below its carrying value (e.g. obsolescence, damage or adverse change in statutory environment).

### **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

A new statement from 2010-11, which details the total income received, expenditure incurred by the authority during a year in line with IFRS reporting as introduced by the new Code.

### **INFRASTRUCTURE ASSETS**

A class of assets whose life is of indefinite length and which are not usually capable of being sold such as highways and footpaths.

### **INTANGIBLE FIXED ASSETS**

'Non-financial' fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custody or legal rights. Purchased intangibles, such as software licences, are capitalised at cost whilst internally developed intangibles are only capitalised where there is a readily ascertainable market value for them.

### **LONG TERM DEBTORS**

These debtors represent the capital income still to be received, for example, from the sale of an asset or the granting of a mortgage or a loan.

### **MINIMUM REVENUE PROVISION**

The minimum amount that the Authority must charge to the income and expenditure account to provide for the repayment of debt.

### **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.

## LIVERPOOL CITY REGION COMBINED AUTHORITY GLOSSARY OF FINANCIAL TERMS

### **NET REALISABLE VALUE**

The amount at which an asset could be sold after the deduction of any direct selling costs.

### **NON-DISTRIBUTED COSTS**

Non-distributed costs are defined as comprising:

- retirement benefit costs (past service costs, settlements and curtailments) (NB: Current service pension costs is included in the total costs of services)
- the costs associated with unused shares of IT facilities
- the costs of shares of other long-term unused but unrealisable assets.

### **NON-OPERATIONAL ASSETS**

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

### **OPERATING LEASE**

A lease other than a finance lease. This is a method of financing assets which allows the Council to use, but not own the asset and therefore is not capital expenditure. A third party purchases the asset on behalf of the Council, who then pays the lessor an annual rental over the useful life of the asset.

### **OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the local authority, in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

### **PAST SERVICE COST**

For a defined benefit scheme, the increase in the value of benefits payable that were earned in prior years arising because of improvements to retirement benefits.

### **POST BALANCE SHEET EVENTS**

These events, both favourable and unfavourable, are which occur between the balance sheet date and the date on which the statement of accounts are finally signed by the Chief Operating Officer.

### **PRIOR YEAR ADJUSTMENT**

A material adjustment applicable to prior years arising from changes in accounting policies or correction of fundamental errors.

### **PROVISIONS**

A liability that is of uncertain timing or amount which is to be settled by transfer of economic benefits.

### **PRUDENTIAL CODE**

Since 1 April 2004, local authorities have been subject to a self-regulatory "prudential system" of capital controls. This gives authorities freedom to determine how much of their capital investment they can afford to fund by borrowing. The objectives of the code are to ensure that local authority's capital investment plans are affordable, prudent and sustainable, with Authorities being required to set specific Prudential indicators.

### **RELATED PARTIES**

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.



## **LIVERPOOL CITY REGION COMBINED AUTHORITY GLOSSARY OF FINANCIAL TERMS**

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the authority and its pension fund.

### **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. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services;
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

### **RESERVES**

An amount set aside for a specific purpose in one year and carried forward to meet future obligations.

### **REVENUE EXPENDITURE**

Day to day payments on the running of services including salaries, wages, contract payments, supplies and capital financing costs.

### **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Legislation in England & Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

### **ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS**

This note effectively replaces the statement of movement on General Fund balances and presents all adjustments made to the CIES to deflect unnecessary impact on the general fund reserve and therefore council tax payer.

### **THE CODE (FORMERLY STATEMENT OF RECOMMENDED PRACTICE (SoRP))**

The new Code was issued in 2010 and incorporates new guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code and former SoRP has statutory status via the provision of the Local Government Act 2003.

### **MOVEMENT IN RESERVES STATEMENT**

This financial statement presents the movement in useable and unusable reserves (the Authority's total reserve balances).

## LIVERPOOL CITY REGION COMBINED AUTHORITY GLOSSARY

### Glossary of Acronyms used in these Accounts

(M)ITA	(Merseyside) Integrated Transport Authority
(M)PTE	(Merseyside) Passenger Transport Executive
APR	Annual Performance Review
ATL	Accrington Technologies Ltd
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance Accountants
CODE	CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom
CPI	Consumer Price Index
DfT	Department for Transport
MPF	Merseyside Pension Fund
DRCM	Democratic Representation and Corporate Management
EMU	Economic and Monetary Union
ENCTS	English National Concessionary Travel Scheme
EPOS	Electronic Point of Sale
FAR	Fixed Assets Register
FRAB	Financial Reporting Advisory Board (HM Treasury)
RCCO	Revenue contributions to Capital Outlay
GRN	Goods received note
GSML	Global Smart Media Ltd
I&E a/c	Income and Expenditure Account
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
IT	Information Technology
ITSO	Integrated Transport Smartcard Organisation
JVC	Joint Venture Company
LCRCA	Liverpool City Region Combined Authority
LGF	Local Growth Fund
LGPS	Local Government Pension Scheme
LSP	Liverpool South Parkway
LSTF	Local Sustainable Transport Fund
LTP	Local Transport Plan
MEL	Merseyrail Electrics Ltd
MFL	Mersey Ferries Ltd
MIRS	Movement in Reserves Statement
MITA	Merseyside Integrated Transport Authority
MPTE	Merseyside Passenger Transport Executive
MRP	Minimum Revenue Provision
OTOF	One Team, One Family (Organisation Development Initiative)
PTEG	Passenger Transport Executives Group
PWLB	Public Works Loan Board
REFCUS	Revenue Expenditure Funded from Capital Under Statute
RPI	Retail Price Index
SNR	Serco Ned Rail
SOLACE	Society of Local Authority Chief Executives
SRG	Special Rail Grant
TBS	The Beatles Story
TUPE	Transfer of Undertakings (Protected Earnings)
TWA	Transport and Works Act
VFM	Value For Money

## PAGES NOT FORMING PART OF THE AUDITED ACCOUNTS

<b>Mersey Tunnels Revenue Account</b>		
<b>For the year ended 31 March 2015</b>		
2013/14		2014/15
£000		£000
	<b><u>Operating Expenditure</u></b>	
4,303	Employees	4,367
1,392	Premises	1,498
1,311	Supplies & Services	1,438
149	Transport	164
6,638	Central Support Services	7,321
13,793	Total Operating Expenditure	14,788
	<b><u>Asset Financing</u></b>	
5,508	Capital Charges	5,490
8,565	Revenue Contributions to Capital Outlay	6,682
3,663	Levy Repayment	3,663
-1,500	Transfers to/(from) Repairs & Renewals Fund	0
16,236	Total Asset Financing	15,835
<b>30,029</b>	<b>Total Expenditure</b>	<b>30,623</b>
	<b><u>Income</u></b>	
39,865	Toll Income	43,327
342	Fees and Other Charges	354
-	Release of provision	-
<b>40,207</b>	<b>Total Income</b>	<b>43,681</b>
-10,178	(Surplus)/Deficit before charging	-13,058
10,178	Tunnels Act 2004	13,058
<b>0</b>	<b>Total Deficit</b>	<b>0</b>

## PAGES NOT FORMING PART OF THE AUDITED ACCOUNTS

<b>Mersey Tunnels Balance Sheet as at 31 March 2015</b>		
<b>As at 31/03/2014</b>		<b>As at 31/03/2015</b>
<b>Tunnels</b>		<b>Tunnels</b>
<b>£000</b>		<b>£000</b>
	<b>NON-CURRENT ASSETS</b>	
	<b>Property, Plant &amp; Equipment:</b>	
3,206	Freehold Property	4,593
-	Leasehold Property	-
1,641	Vehicles, Plant, Furniture & Equipment, Vessels	1,516
276,408	Infrastructure Assets	277,875
450	Community Assets	450
74	Surplus Assets	55
281,779	<b>Total PPE</b>	284,489
-	<b>Investments</b>	-
-	<b>Long Term Debtors</b>	-
281,779	<b>TOTAL NON-CURRENT ASSETS</b>	284,489
	<b>CURRENT ASSETS</b>	
622	Inventories	566
264	Short Term Debtors	344
5	Rechargeable accounts	5
33,116	Cash and cash equivalents	26,894
34,007	<b>TOTAL CURRENT ASSETS</b>	27,809
<b>315,786</b>	<b>TOTAL ASSETS</b>	<b>312,298</b>
	<b>CURRENT LIABILITIES</b>	
(1,811)	Deferred Liabilities - repayable within 12 months	(1,811)
(3,361)	Internal loan - repayable within 12 months	-
(870)	Long Term Borrowing - repayable within 12 months	(840)
(7,504)	Short Term Creditors	(5,809)
(39)	Provisions	(26)
(13,585)	<b>TOTAL CURRENT LIABILITIES</b>	(8,486)
20,422	<b>NET CURRENT ASSETS</b>	19,323
	<b>NON-CURRENT LIABILITIES</b>	
-	Long Term Creditors	
(193)	Provisions	(88)
(19,922)	Deferred Liabilities	(18,111)
-	Internal loan	-
(20,879)	Long Term Borrowing	(20,155)
-	Other Long Term Liabilities	-
(40,994)	<b>TOTAL NON CURRENT LIABILITIES</b>	(38,354)
<b>261,207</b>	<b>NET ASSETS</b>	<b>265,458</b>
	<b>FUNDS BALANCES &amp; RESERVES</b>	
5,756	Useable Reserves - Repairs and Renewals Fund	5,756
291	Unusable Reserves - Revaluation reserve	840
255,160	Unusable Reserves - Capital Adjustment Account	258,862
<b>261,207</b>	<b>TOTAL RESERVES</b>	<b>265,458</b>
This balance sheet is a memorandum item only and consequently does <u>not</u> include transactions relating to IAS 19 (Pensions)		