

Merseytravel

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

MERSEYTRAVEL
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FOR THE YEAR ENDED 31 MARCH 2015

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MERSEYTRAVEL EXPLANATORY FOREWORD TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

Introduction

Merseytravel (formerly the Merseyside Passenger Transport Executive) is a body corporate under the Transport Act 1968. On 1 April 2014, Merseyside Integrated Transport Authority was abolished and replaced by The Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority operating as the Liverpool City Region Combined Authority (LCRCA). Merseytravel now acts as the Executive arm of Liverpool City Region Combined Authority. It receives funding from the LCRCA in the form of grants, both revenue and capital, to fund its net expenditure, in order to carry out the functions that the LCRCA sets.

The original approved budget for Merseytravel showed net spending of £107.0m funded by a grant of £107.0m from LCRCA. At revised budget time, management had produced savings to forecast a net spend of £103.6m. This was to be fully funded by a reduced grant from the LCRCA of £103.6m. The out turn position showed further savings across most service areas, which were used in part to reduce the grant required from LCRCA to £102.5m.

This set of accounts reflects the financial position of the Merseytravel at 31 March 2015. These accounts inform the structure and strategy of the rolling three-year Medium Term Financial Strategy (MTFS) for the organisation. The MTFS helps shape the policy, procurement and contracting decisions taken by Merseytravel and the LCRCA.

The Medium Term Financial Strategy had identified the need to ensure that the LCRCA and Merseytravel had sufficient working balances and reserves in order to meet potential challenges in the future. This is especially important with regard to the proposal to replace the existing rolling stock of the Merseyrail fleet when the current extended lease for the existing fleet expires towards the end of 2019.

Careful consideration is applied to the determination of reserve categories. Where reserves are earmarked this is done to ensure that Merseytravel is able to anticipate or meet any financial shocks. When reserves are no longer required due to changing circumstances they are released either to the General reserve or transferred to other earmarked reserves should the need arise. The Rolling Stock reserve has been used to great effect since 2012/13 to ensure no costs fell against the LCRCA grant from the Levy. The Capital reserve has also been used effectively since 2010/11 to offset the 25% reduction in the Integrated Transport Block Grant imposed through Government cuts.

The Accounts

Merseytravel and its Group accounts for the year ended 31 March 2015 are set out on pages 17 to 65. They consist of-

- (a) The Comprehensive Income and Expenditure Statement (CIES) - is Merseytravel's main revenue account covering income and expenditure on all Merseytravel services. This is an abbreviated version of Merseytravel's performance for 2014/15 in line with the code. Further analysis is set out in Note 4. This segmental analysis follows the budgeting and resource allocation units that Merseytravel uses to manage its day-to-day activities.
- (b) Balance Sheet - which sets out the financial position of Merseytravel and its subsidiaries on 31 March 2015;
- (c) Movement in reserves statements for 2014/15 and the previous year;
- (d) Cash Flow Statement - which summarises the in/outflows of cash arising from transactions with third parties for revenue and capital purposes;
- (e) Notes -which comprise a summary of significant accounting policies and other explanatory information

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

**MERSEYTRAVEL
EXPLANATORY FOREWORD TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015 (continued)**

Principal activities

The principal activities of Merseytravel and its Group are:

- (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 the Merseyrail Electrics Concession and Northern Rail Franchise;
- (e) Provision and operation of the local national concessionary travel schemes along with provision of a suite of prepaid travel tickets for public transport, including the development of Smartcard Ticketing, through the introduction of its Walrus card;
- (f) Provision of supported bus services that cover gaps in service provision not undertaken as part of the commercial network.

Key Performance Indicators and Business Review

The financial results of Merseytravel and the Group (which comprises Merseytravel, Mersey Ferries Ltd and Merseyside Passenger Transport Services Ltd) follow on pages 17 to 24.

The Group Comprehensive Income and Expenditure Statement (CIES) shows a surplus on the provision of services for the year of £13.0m (restated 2013/14 £6.2m). The Merseytravel CIES shows a surplus for 2014/15 of £12.6m (restated 2013/14 £5.4m). The consolidated useable and unusable reserves of Merseytravel at the year-end were £69.6m (restated 2013/14 £94.1m).

During 2014/15, the Group net cost of services was £113.8m (restated 2013/14 £105.5m) and Merseytravel net cost of service was £114.1m (restated 2013/14 £106.4m) as analysed on pages 34-35.

The Group CIES (page 18) and notes show gross expenditure of £322.2m (£281.2m 2013/14). This was offset in part by supported bus fares shown as bus services £10.2m (£10.5m 2013/14), sales of prepaid tickets £25.6m (£26.7m 2013/14), LCRCA grant £102.5m (£100.3m 2013/14) and Special Rail Grant £95.4m (£98.6m 2013/14).

	Passenger Journeys	
	2014/15	2013/14
Supported bus	11.4m	11.6m
Rail Passengers	41.9m	41.1m
Special Needs Travel	0.1m	0.1m
Bus Infrastructure supporting both supported and commercial bus	136.7m	136.5m
Concessionary and Pre-paid travel (Bus & Rail)	125.3m	122.5m

Capital invested during the year by Merseytravel totalled £18.7m (£13.2m 2013/14 see Note11). This included £6.6m support to the District councils in the form of a capital grant for highway improvements, £0.7m access improvements to Birkenhead North station, £2.1m Better bus improvements, £1.0m support to Network Rail's station improvement programme, £1.2m improvements to Ferry terminals and vessels, and further improvements to the bus/rail network and IT infrastructure in support of LTP objectives.

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This Capital outlay was financed by a capital grant from LCRCA of £18.6m (2013/14 £12.9m) and other Merseytravel funding resources £0.1m (2013/14 £0.3m).

Total reserves, excluding Minority Interest at the year-end are summarised in the following table:-

	Group		Merseytravel	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Capital Reserve	7,613	5,423	7,613	5,423
Working Balances	2,353	2,353	1,739	1,739
Various Useable Reserves	57,909	46,353	57,870	46,518
Unusable Reserves:				
Pensions Reserve*	(102,192)	(67,201)	(102,192)	(67,201)
Revaluation Reserve	11,831	12,081	11,615	12,056
Deferred Capital Grants	92,938	95,579	92,938	95,579
	70,452	94,588	69,583	94,114

*The consequence of a statutory override re Pensions: see below

Unusable reserves will be utilised to reflect movements against balance sheet assets and liabilities and are not available to enhance service provision.

Pension costs are charged to the Comprehensive Income and Expenditure Statement in line with IAS19 (Employee Benefits), below the surplus for the year as set out in CIPFA code paragraph 6.4.3.28 and Regulation 17 of the Accounts and Audit Regulations 2011. The staff of the former MITA were transferred to Merseytravel upon its abolition (1/4/2014). The associated pension liabilities were also transferred to Merseytravel at the same time. LCRCA has agreed to continue to meet the liabilities of these former MITA staff

Grants

Merseytravel's net expenditure, after taking into account all other sources of income and expenditure, is financed primarily by way of Revenue Grant from the Liverpool City Region Combined Authority (LCRCA).

LCRCA makes a levy on the constituent District councils in Merseyside to meet its own expenditure, which includes the Revenue Grant to Merseytravel. LCRCA also receives Special Rail Grants and Bus Grants from Central Government to fund Merseytravel's rail franchise payments and to provide essential bus services where there would be no commercial bus service provision.

The LCRCA Capital Grants were received and then utilised in respect of approved expenditure on capital schemes.

The grants receivable by Merseytravel from LCRCA were as follows:

	2015	2014
	£000's	£000's
Revenue Grants from LCRCA Received/Applied	102,456	100,300
Special Rail Grants	95,438	98,610
European grants	2	105
DFT- LSTF revenue grants	4,866	1,006
Capital Grants (from LCRCA) Received/Applied	18,589	12,910
	221,351	212,931

**MERSEYTRAVEL
EXPLANATORY FOREWORD TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015 (continued)**

Principal Risks and Uncertainties

Principal risks and uncertainties facing Merseytravel were identified in the Medium Term Financial Strategy as follows:-

(i) Compliance Risk

If Merseytravel has to utilise 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 financial objectives.

(ii) Energy Shocks

Typical risks include further increases in fuel cost, which will have a direct impact upon the cost basis of Mersey Ferries and the supported bus network. Conversely, high fuel costs could affect 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 major bus operators and Merseyrail are on the basis that all eligible persons will have access to a local concession, until they reach the eligible age for the national concession. These arrangements have a cap and collar arrangement to insulate Merseytravel from cost exposures.

(iv) Industry Consolidation/Transition

It is possible that further consolidation of bus operators could take place. There is no current evidence to suggest that this is happening either with the big 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 would have an affect upon consumer choice especially about discretionary spending rather than 'routine' commuter expenditure. .Conversely, discretionary spending could increase if the economy improves.

(vi) Global Financial Shocks

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

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Future Developments

Merseytravel now acts as the transport advisor to the LCRCA, and is its delivery arm for the implementation of its capital programme for transport. The Government has awarded the LCRCA substantial resources as part of the Local Growth Fund (LGF) Settlement for 2015/16–2020/21. These resources are required to drive new job creation and growth within the city region. Together with funding from the Integrated Transport Block and Highways Maintenance Funding, this will drive forward plans for the next LTP. Merseytravel, using some of these resources will develop its own Long Term Rail Strategy and Bus Strategy to develop further the existing transport infrastructure across the city region. In particular:

New and Improved Facilities:-

- Development of Kirkby Bus station;
- Enhancement of bus services through use of the Better Bus Fund and Area grants;
- Further development of the SMARTCARD initiative
- Further development to improve Merseytravel's ICT environment
- Implement the proposed interchange at Newton le Willows using LGF funding
- Development proposals to extend the Merseyrail 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 initially, Services into Wales will be taken forward in collaboration with the Welsh Assembly
- Development proposals for the future of the existing Rolling Stock, and the development of the business case for a preferred fleet modernisation process
- And a new station at Maghull North.

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;
- Develop new forms of smart ticketing to add to the suite of ticket types and look at joint public transport and attractions ticketing.

Value for Money

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

Research and Development

As regards a private sector/commercial definition of a company's research, there were no R&D activities during 2014/15 by Merseytravel.

Trade Payables

Merseytravel aims to pay all of its undisputed creditors within 30 days.

Within Merseytravel's Performance Plan, a "payment within 30 days" target of 100% has been set, against which the actual performance was 96.7%. This compares to a performance of 96.7% of undisputed creditors paid within 30 days during the year 2013/14.

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Members of the Executive

The Directors of Merseytravel who held offices of statutory Members during the year, in accordance with Section 9 (2) of the Transport Act 1968, were as follows:

D Brown	Director General
E Chandler	Director of Corporate Development
F Rogers	Director of Customer Services
J Fogarty	Director of Resources

Merseytravel is a statutory body created by the Transport Act 1968 and does not have any share capital in its own right. Merseytravel does however, have a number of subsidiary companies and no Director had at any time during the year any pecuniary interest in their share capital, other than for shareholding or legal reasons i.e. they receive no dividend from any profits.

The Director General and Director of Resources are also statutory officers of the Liverpool City Region Combined Authority. They fill the roles of Head of Paid Service and Treasurer respectively.

**MERSEYTRAVEL
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2015**

Merseytravel's Responsibilities

Merseytravel is required to:

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

Responsibilities of the Director of Resources

The Director of Resources is responsible for the preparation of the Merseytravel's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ("The Code"). The Statement of Accounts is required to present fairly the financial position of Merseytravel at the accounting date and its income and expenditure for the year end 31 March 2015

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- complied with the Local Authority Code.

The Director of Resources has also:

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

Responsible Financial Officer's Certificate

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of Merseytravel as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015. The Statement of Accounts was authorised for issue by the Director of Resources on 17 September 2015. Events taking place after the Balance Sheet date have been considered up to the date of issue.



J Fogarty
Director of Resources
Date 17 September 2015

MERSEYTRAVEL ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

Scope of responsibility

The Merseyside Passenger Transport Executive became Merseytravel by The Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority Order 2014. Merseytravel is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.

The Legal Framework that supports Merseytravel is governed by various statutory provisions, the main ones being:

- The Transport Act 1968
- The Transport Act 1983
- The Transport Act 1985
- The Transport Act 2000
- The Railways Act 2005
- Local Transport Act 2008
- The Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority Order 2014
- The Accounts & Audit Regulations 2015

Prior to 1st April 2014, Merseytravel discharged many of the functions of the Merseyside Integrated Transport Authority (MITA), after which this body ceased to exist and Merseytravel now discharges its own legal obligations in respect of transport functions and acts as the Executive Body of MITA's successor body, the Liverpool City Region Combined Authority.

2014/15 was the first year of these new governance arrangements.

Merseytravel is a separate statutory body that fulfils the policy requirements of, and is accountable to, the Liverpool City Region Combined Authority. As such, it is required to maintain its own governance arrangements and assurance framework.

Public bodies have 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 regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Merseytravel 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.

Merseytravel approved and adopted a governance framework which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of Merseytravel's constitution and other policies related to the governance framework is published through our website at www.merseytravel.gov.uk.

This statement explains how Merseytravel complied with the principles of good governance 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 Merseytravel is directed and controlled in its activities. It is the mechanism through which it is accountable to, engaged with and led by its stakeholders. It enables the organisation to monitor the achievement of its strategic objectives and to consider whether those objectives translate into 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 Merseytravel are intended to provide a reasonable - but not absolute - assurance of effectiveness.

MERSEYTRAVEL ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Merseytravel's policies, aims and objectives. It also seeks to evaluate the likelihood and potential impact of those risks being realised, and to manage those risks efficiently, effectively and economically.

The governance framework that was in place at the Combined Authority for the year ended 31 March 2015 built upon significant changes and improvements put in place during 2013/14, including the establishment of an Audit and Governance Committee who have been instrumental in driving further improvements during 2014/15.¹

The framework also reflected the significant change in governance associated with the creation of the Liverpool City Region Combined Authority, and Merseytravel's role in relation to this body.

The governance framework

The governance framework itself is based around the organisation's Corporate Plan. This document establishes the key priorities for Merseytravel and was determined following consultation with passengers and other key stakeholders within the Liverpool City Region and beyond.

The Corporate Plan for 2014/15 set the template for all of the organisation's activities and represented the articulation of its priorities and values.

The Corporate Plan for 2014/15 was supported by Directorate Plans and Service Plans and was underpinned by a budget and staffing structures that ensured that resources were available to meet those corporate objectives. A performance management system ensured that high-quality services were delivered effectively and efficiently.

This was achieved through the translation of overall objectives into individual performance plans and by monitoring and measuring outcomes against key targets.

Training and development was an important aspect of the overall performance management framework in 2014/15 and the organisation maintained a training and development programme linked to corporate priorities, which included both officers and elected Members.

Further assurance is provided through the maintenance of an Internal Audit function, which, in accordance with the Accounts and Audit Regulations 2015, is required to evaluate the effectiveness of Merseytravel's risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards and associated guidance. Internal Audit reviewed the internal control framework across the organisation, based on a formal risk assessment, and presented its recommendations where any internal control weaknesses were identified.

The effectiveness of the Internal Audit service was greatly improved during 2014/15 through a comprehensive review of policies, procedures and systems led by Merseytravel's new Head of Internal Audit who was appointed in April 2014.

The work of our external auditors is also a key element of the assurance framework.

The organisation maintains a register of key corporate risks and has risk management practices and processes in place as part of the overall governance framework. These arrangements were greatly strengthened in 2014/15 following a review that was reported to the Merseytravel Committee's Audit and Governance Sub-Committee.

Review of the effectiveness of the governance framework

Merseytravel is 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

¹ Following the establishment of the Liverpool City Region Combined Authority this committee became the Merseytravel Committee's Audit and Governance sub-Committee in 2014/15.

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Internal Audit and those key officers within Merseytravel with responsibility for the development and maintenance of the governance environment.

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

The 2013/14 Annual Governance Statement identified a number of key areas for improvement and addressing these has been a key corporate priority in 2014/15.

Risk Management arrangements were identified as an outstanding governance issue and Merseytravel's risk management arrangements have been significantly improved in 2014/15.

These changes were undertaken at the highest level and overseen by the new Merseytravel Committee's Audit and Governance Sub-Committee, who took an active role in seeking assurance in respect of the risk management framework.

Internal Audit was also highlighted as an area for improvement and significant progress has been made in this area. During 2014/15 the Head of Internal Audit completed a comprehensive self assessment against the requirements of the Public Sector Internal Audit Standards (PSIAS) in accordance with the mandatory requirements of the CIPFA Local Government Application Note (LGAN). Regular updates against identified actions were presented to the Audit & Governance Sub-Committee on an on-going basis and there were no significant actions outstanding at the close of the year.

Other notable developments during 2014/15 include the procurement of specialist Audit Workflow Management System software and a review of the internal planning and reporting processes, to facilitate more efficient and effective service delivery.

To ensure compliance with the PSIAS the Internal Audit Charter and Internal Audit Strategy were subject to review and update, and a Quality Assurance and Improvement Programme (QAIP) was produced, which includes the development of formal consultation processes with managers and auditees, and the establishment of performance targets to ensure that Internal Audit provides a quality service which not only fulfils its mandatory obligations but can demonstrate how it adds value to the organisation.

Value for Money at Merseytravel was identified as an area of concern in previous Annual Governance Statements and this has been a focus of attention throughout the organisation in 2014/15.

While the organisation still has a legacy of some high cost contracts and obligations in a number of areas, these are being addressed. Significant savings have been made across a range of service areas in 2014/15 and this has enabled the Combined Authority to set a transport levy for 2015/16 that is significantly less than in previous years, whilst continuing to deliver the Corporate Plan.

Contract Monitoring is linked to the achievement of value for money and was also identified in the 2013/14 governance statement as an outstanding issue raised through Internal Audit work in that year. Key changes to process, personnel and structures in 2014/15 mean that arrangements for managing contractor relationships – including the key relationship with Merseyrail Electrics (2002) Limited – are now significantly more robust than was previously the case.

As a result of these improvements, the governance framework that was in place on 31st March 2015 is now much stronger than in previous years. The organisation was able to demonstrate a much greater understanding of the principles and practice of good governance within a much-improved internal control framework.

At the end of 2014/15 there remained some work to be done to ensure that these improvements, and the underlying changes in the organisation's attitude to corporate governance and risk, are further embedded throughout the organisation. This work will continue and will be undertaken by Merseytravel and the Merseytravel Committee on behalf of the Liverpool City Region Combined Authority.

The challenges that remain are summarised in the section below.

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ANNUAL GOVERNANCE STATEMENT
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Significant governance issues

Resources

Merseytravel has taken significant steps in recent years to improve value for money and reduce its operating costs. This can be demonstrated in a much-reduced levy requirement for transport.

Reducing the levy requirement is part of a longer term financial strategy that recognises that the significant reduction in central government funding for District partners has to impact on those resources that are available to fund transport through Merseytravel.

As a result, Merseytravel is committed to further reductions in its levy requirements and delivery of further operational savings will be a key corporate challenge.

Ensuring the delivery of the Corporate Plan key objectives with reducing resources will test the overall governance framework in the years ahead.

Information Governance

Internal Audit work in 2014/15 identified a number of areas where information management and governance at Merseytravel needs to be stronger. As a result of this, new arrangements will be put in place in 2015/16 through the creation of an Information Governance Group at a senior level within the organisation.

The organisation has also appointed a Senior Information Risk Officer at Director level to lead on this key corporate risk.

Internal Audit

While our Internal Audit arrangements were greatly strengthened in 2014/15 there remains some outstanding areas for improvement at year-end. These are detailed in the Head of Internal Audit's Annual Report and will form the focus priorities for the section in the coming year.

The organisation must also continue to demonstrate that it is compliant with the Public Sector Internal Audit Standards and this remains a key area of focus. It is essential that any areas that require action or improvement, identified through ongoing self-assessment process, are addressed, which includes a need for Merseytravel to establish apposite Audit and Governance committee arrangements. This role was discharged by the Merseytravel Audit and Governance Sub-committee in 2014/15, but these arrangements will be reviewed in 2015/16 to ensure that Merseytravel continues to operate with strong guidance and challenge provided by suitable Audit and Governance arrangements.

A further key priority will be to fully embed revised work practices which have been established during the year, in conjunction with the full roll-out of the new Audit Management Software. This will be underpinned by the performance management and reporting arrangements outlined in the Quality Assurance and Improvement Programme.

As the Combined Authority matures, there is likely to be significant financial, regulatory, service delivery and reputational risks to consider and manage. As Merseytravel fulfils the role of Accountable Body, it is important to acknowledge that the Treasurer to the Combined Authority will be reliant on Internal Audit to provide sufficient assurance on the effectiveness of the control environment, thus a strong internal audit function and robust assurance framework will be fundamental in ensuring this. An assurance mapping exercise will be conducted during 2015/16 to facilitate this process.

As Merseytravel faces increased financial pressure, the likelihood of further financial savings being made across the whole organisation, raises the potential of significant changes in terms of systems, structures and personnel. These may also present further risks which the organisation will need to consider, and manage. A robust Internal Audit function can play a significant part in advising and supporting management during this period.

Thus, approval has been sought to appoint a Principal Auditor (Technical) to enhance the skill base of the existing team and ensure appropriate technical and accountancy skills are embedded within the section. Not only will this facilitate a more strategic and risk-based approach to future Internal Audit delivery, which is

**MERSEYTRAVEL
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necessary to ensure full compliance with the PSIAS, but will also enable the Section to be appropriately positioned to effectively support the needs of the Statutory Officers of the Combined Authority, if / when required. Recruiting to this post is a key priority in early 2015/16.

Supporting the Primary Assurance & Risk group (PARG) and Information Management Group will also be a key priority to facilitate, inform and support the continuing development of more robust and effective arrangements for the management of risk and the mechanisms for monitoring and reporting to those charged with governance.

Finally, following a review and update of the Counter Fraud Strategy and Policy, it is recognised that Internal Audit needs to adopt a more pro-active approach to counter-fraud. Audit days not required for investigative work should be utilised to proactively raise awareness, and to work with managers to inform and educate their teams in fraud detection and proactive counter-fraud activity. This, in conjunction with the implementation of actions identified through the self-assessment against CIPFA's Code of Practice for Managing the Risk of Fraud and Corruption, will be a key focus for 2015/16.

Risk Management

While much work has been undertaken to improve risk management arrangements in recent years, our approach to risk will still benefit from further refinement and from a greater level of consistency throughout the organisation.

However, notable developments were made during the year, specifically in respect of the Risk Management Strategy & Policy which was subject to review and significant update, and the modification of the corporate risk register, a significant piece of work which remains on-going, led by the Primary Assurance and Risk Group (PARG).

This strategic group represents key functions and services, and is accountable to Merseytravel and through the Combined Authority's audit and governance arrangements.

An example of where further work is required is in **business continuity** arrangements, where the organisation would benefit from greater consistency of approach. A review of these arrangements will be undertaken in 2015/16.

SUMMARY

2014/15 was a year of consolidation in a number of key areas, following a period of sustained change. Despite this, there were significant improvements in the governance framework, albeit these built upon changes in structures and processes implemented in prior years.

It was also a year in which many significant value for money issues were addressed, resulting in significant and sustainable savings in our operating cost and levy requirement.

We propose over the coming year to take steps to address those matters that remain outstanding and to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that we have identified and we will monitor their implementation and operation through our Audit and Governance arrangements and as part of our next annual review.



Signed: _____

David Brown: Director General, Merseytravel
17 September 2015

**MERSEYTRAVEL
INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MERSEYTRAVEL
FOR THE YEAR ENDED 31 MARCH 2015**

We have audited the financial statements of Merseytravel for the year ended 31 March 2015 on pages 17 to 65. 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 Directors of Merseytravel, 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 Directors of Merseytravel, 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 Directors of Merseytravel, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Financial Services and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 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 Merseytravel's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; 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 Merseytravel and the Group as at 31 March 2015 and of Merseytravel'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
- 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

**MERSEYTRAVEL
INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MERSEYTRAVEL
FOR THE YEAR ENDED 31 MARCH 2015**

- 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 Merseytravel 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.

Certificate

We certify that we have completed the audit of the financial statements of Merseytravel in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

**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

MERSEYTRAVEL
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

The Group and Comprehensive Income and Expenditure Statement (CIES), shows the costs of Merseytravel's service 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 both Statutory and Discretionary Concessionary travel schemes. In the case of the latter, decisions on what discretionary arrangements exist are made by the LCRCA (previously MITA) using various statutory powers. However, the cost falls upon Merseytravel.

In addition, these tables summarise the key sources of income and financial support Merseytravel receives. Crucial to this are the Special Rail Grant that funds local rail services and the Revenue Support Grant from the LCRCA. This grant is approved by the LCRCA at its February budget meeting and is the maximum and permitted level of grant Merseytravel can spend. 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.

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

2013/14				2014/15			
Gross Expenditure	Gross Income	Net Expenditure	MERSEYTRAVEL	Gross Expenditure	Gross Income	Net Expenditure	Note No.
£000's	£000's	£000's		£000's	£000's	£000's	
249,632	155,575	94,057	Highways & Transport Services	248,197	153,284	94,913	}
12,353	0	12,353	Non distributed costs	19,148	0	19,148	
261,985	155,575	106,410	Cost of Services	267,345	153,284	114,061	
2,983	239	2,744	Financing & Investment income and expenditure	3,198	233	2,965	}
0	114,754	-114,754	Taxation & non specific grant income	0	125,913	-125,913	
264,968	270,568	-5,600	(Surplus)/Deficit on Provision of Services	270,543	279,430	-8,887	4
	0	0	Transfer of MITA pensions deficit	11,537	0	11,537	}
0	3,322	-3,322	Surplus on revaluation of PPE	0	1,351	-1,351	
			Remeasurements (liabilities/assets)	23,231	0	23,231	
0	3,322	-3,322	Other comprehensive income & expenditure	34,768	1,351	33,417	
264,968	273,890	-8,922	Total comprehensive income & expenditure	305,311	280,781	24,530	

1For further details regarding the Merseytravel's pension deficit, please refer to Note 23.

All amounts relate to continuing operations.

Note 4 Segmental Reporting provides further analysis of the CIES.

The notes from page 25 onwards form part of these accounts.

MERSEYTRAVEL
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

2013/14			GROUP	2014/15			Note No.
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000's	£000's	£000's		£000's	£000's	£000's	
265,722	172,552	93,170	Highways & Transport Services	265,088	170,406	94,682	4
12,353	0	12,353	Non distributed costs	19,148	0	19,148	
278,075	172,552	105,523	Cost of Services	284,236	170,406	113,830	
3,079	239	2,840	Financing & Investment income and expenditure	3,226	233	2,993	
0	114,754	-114,754	Taxation & non specific grant income	0	125,913	-125,913	
281,154	287,545	-6,391	(Surplus)/deficit on Provision of Services	287,462	296,552	-9,090	
			Transfer of MTA pensions deficit	11,537	0	11,537	
0	0	0	Surplus on revaluation of PPE	0	1,542	-1,542	
0		0	Actuarial (gains)/losses assets/liabilities	0	0	0	
0	3,322	-3,322	Remeasurements (liabilities/assets)	23,231	0	23,231	
0	3,322	-3,322	Other comprehensive income & expenditure	34,768	1,542	33,226	
281,154	290,867	-9,713	Total Comprehensive Income & Expenditure	322,230	298,094	24,136	
			(Surplus)/deficit attributable to:				
		-9,713	Merseytravel			24,136	
		0	Minority interests			0	
		-9,713	Total (Surplus)/deficit			24,136	

All amounts relate to continuing operations

Note 4 Segmental Reporting provides further analysis of the CIES.

The notes from page 25 onwards form part of these accounts.

Balance Sheet


The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by Merseytravel. The net assets of Merseytravel (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories, useable and unusable. Useable reserves may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that Merseytravel is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses – e.g. the Revaluation reserve, where amounts would only become available if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement.

MERSEYTRAVEL
BALANCE SHEET AS AT 31 MARCH 2015

As at 1/4/13		Restated 1/4/14			As at 2014/15		Note No.
Group £000's	Executive £000's	Group £000's	Executive £000's		Group £000's	Merseytravel £000's	
				NON-CURRENT ASSETS			
				Property, Plant & Equipment			
30,168	30,168	29,956	29,956	Infrastructure Assets	28,179	28,179	
9,991	9,991	9,591	9,591	Freehold Property	10,262	10,262	
53,414	52,769	52,475	51,861	Leasehold Property	55,648	54,977	
5,708	5,017	6,384	5,807	Plant & Machinery	4,309	3,405	
5,855	5,855	5,921	5,921	Vessels	4,578	4,578	
26	26	24	24	Ancillary Vehicles	22	22	
0	0	0	0	Assets Under Construction	0	0	
3,616	3,616	3,616	3,616	Surplus Assets	2,155	2,155	
108,778	107,442	107,967	106,776	Total Property, Plant & Equipment	105,153	103,578	9,25
711	326	711	326	Heritage assets	711	326	10
2,028	333	2,028	333	Intangible Assets	1,963	268	12
0	0	0	0	Long Term Investments	0	0	13
818	4,726	798	4,457	Long Term Debtors	777	4,301	16(b)
112,335	112,827	111,504	111,892	TOTAL NON-CURRENT ASSETS	108,604	108,473	
				CURRENT ASSETS			
0	0	0	0	Assets Held for Sale	180	180	14
458	27	415	55	Inventories	501	42	15
44,726	44,195	41,677	41,410	Short term Debtors	42,586	42,098	16(a)
27,110	26,569	35,909	35,782	Cash and cash equivalents	46,423	46,276	17,27
72,294	70,791	78,001	77,247	TOTAL CURRENT ASSETS	89,690	88,596	
184,629	183,618	189,505	189,139	TOTAL ASSETS	198,294	197,069	
				CURRENT LIABILITIES			
-122	-122	-128	-128	Loans from ITA	-134	-134	21
-24,081	-23,071	-21,003	-21,408	Short Term Creditors & Deferred Revenue	-19,352	-19,282	18
-239	-184	-561	-516	Provisions	-155	-140	19
-24,442	-23,377	-21,692	-22,052	TOTAL CURRENT LIABILITIES	-19,641	-19,556	
47,852	47,414	56,309	55,195	NET CURRENT ASSETS	70,049	69,040	
				LONG TERM LIABILITIES			
-3,954	-3,786	-3,825	-3,657	Internal loans due after one year	-3,691	-3,523	
-2,709	-2,619	-2,193	-2,115	Provisions	-2,304	-2,214	19
-68,644	-68,644	-67,201	-67,201	Pension Liability	-102,192	-102,192	23
-7	0	-8	0	Other Long Term Liabilities	-16	0	
-75,314	-75,049	-73,227	-72,973	TOTAL NON CURRENT LIABILITIES	-108,203	-107,929	
84,873	85,192	94,586	94,114	NET ASSETS	70,450	69,584	
				FUNDS BALANCES & RESERVES			
45,193	45,535	54,129	53,680	Useable Reserves	67,875	67,223	} 22
39,682	39,657	40,459	40,434	Unusable Reserves	2,577	2,361	
-2	0	-2	0	Minority Interest	-2	0	
84,873	85,192	94,586	94,114	TOTAL RESERVES	70,450	69,584	

The notes from page 25 onwards form part of these accounts.

J Fogarty
 Director of Resources
 Date 17 September 2015



D Brown
 Director General
 Date 17 September 2015



MERSEYTRAVEL
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

The following statements show the movement in the year of the different reserves held by the Merseytravel, analysed into "Useable" (i.e. those that can be applied to fund expenditure) and other reserves and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing Merseytravel's services, more details of which are shown in the Comprehensive Income and Expenditure statement. This is different from the statutory amounts which are required to be charged to the General fund. The net increase/decrease before transfers to earmarked reserves line shows statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by Merseytravel.

Group 2013/14	Revenue Reserves (Note 22) £000's	Earmarked Reserve (Note 22) £000's	Total Useable Reserves £000's	Pension Reserve (Note 22) £000's	Revaluation Reserve (Note 22) £000's	Deferred Capital Grants (Note 22) £000's	Total Unusable Reserves £000's	Minority interests £000's	Total Reserves £000's
Bal b/f 1st April 2013	2,119	43,074	45,193	-68,644	3,882	102,260	37,498	-2	82,689
Prior period adjustment			0		8,589	-6,405	2,184		2,184
Restated Bal b/f 1st April 2013	2,119	43,074	45,193	-68,644	12,471	95,855	39,682	-2	84,873
Movement in Reserves during 2013/14:									
Restated Surplus on the provision of services	6,391	0	6,391	0	0	0	0	0	6,391
Impairment of investments	0	0	0	0	0	0	0	0	0
Remeasurements (liabilities & assets)	0	0	0	3,322	0	0	3,322	0	3,322
Total comprehensive income & expenditure	6,391	0	6,391	3,322	0	0	3,322	0	9,713
Pensions charged to CIES - See note 23	7,242	0	7,242	-7,242	0	0	-7,242	0	0
Employer's pension contribution	-5,363	0	-5,363	5,363	0	0	5,363	0	0
Capital grants applied MITA re PPE	0	-4,270	-4,270	0	0	4,270	4,270	0	0
Release from reserves re depreciation/Impairment	4,936	0	4,936	0	-390	-4,546	-4,936	0	0
Assets held for sale	0	0	0	0	0	0	0	0	0
Transfers in respect of long term loans	0	0	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	6,815	-4,270	2,545	-1,879	-390	-276	-2,545	0	0
Net increase/(decrease) before transfers to earmarked funds	13,206	-4,270	8,936	1,443	-390	-276	777	0	9,713
Transfers to/from earmarked funds									
Grants received MITA	-12,910	12,910	0	0	0	0	0	0	0
Grants received EU	0	0	0	0	0	0	0	0	0
Grants applied MITA revenue from capital	9,137	-9,137	0	0	0	0	0	0	0
Grants applied re EU	0	0	0	0	0	0	0	0	0
Transfers to earmarked reserves	-9,199	9,199	0	0	0	0	0	0	0
Total transfers to earmarked funds	-12,972	12,972	0	0	0	0	0	0	0
Increase/Decrease in year	234	8,702	8,936	1,443	-390	-276	777	0	9,713
Balance 31 March 2014 carried forward	2,353	51,776	54,129	-67,201	12,081	95,579	40,459	-2	94,586

MERSEYTRAVEL
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

Group 2014/15	Revenue Reserves (Note 22) £000's	Earmarked Reserve (Note 22) £000's	Total Useable Reserves £000's	Pension Reserve (Note 22) £000's	Revaluation Reserve (Note 22) £000's	Deferred Capital Grants (Note 22) £000's	Total Unusable Reserves £000's	Minority interests £000's	Total Reserves £000's
Bal b/f 1st April 2014 as restated	2,353	51,776	54,129	-67,201	12,081	95,579	40,459	-2	94,586
Movement in Reserves during 2014/15:									
Surplus on the provision of services	9,090	0	9,090	0	0	0	0	0	9,090
Other comprehensive income and expenditure			0		-250	1,792	1,542		1,542
Transfer of MITA pensions deficit	0	-11,537	-11,537		0	0	0	0	-11,537
Remeasurements (liabilities & assets)	0	0	0	-23,231	0	0	-23,231	0	-23,231
Total comprehensive income & expenditure	0	-11,537	-11,537	-23,231	-250	1,792	-21,689	0	-33,226
Pensions charged to CIES - See note 23	7,561	0	7,561	-7,561	0	0	-7,561	0	0
Employer's pension contribution	-7,338	0	-7,338	7,338	0	0	7,338	0	0
Grants applied LCRCA re PPE	0	-3,717	-3,717	0	0	3,717	3,717	0	0
Release from reserves for depreciation/impairment/revaluation	8,044	0	8,044	0		-8,044	-8,044	0	0
Disposal of assets held for sale		106	106	0	0	-106	-106	0	0
Transfer from Reserves/ Use of Capital Receipts			0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	8,267	-3,611	4,656	-223	0	-4,433	-4,656		0
Net increase/(decrease) before transfers to earmarked funds	17,357	-15,148	2,209	-23,454	-250	-2,641	-26,345	0	-24,136
Transfers to/from earmarked funds									
Grants received LCRCA	-18,589	18,589	0	0	0	0	0	0	0
Grants received EU		0	0	0	0	0	0	0	0
Grants applied LCRCA revenue from capital	14,971	-14,971	0	0	0	0	0	0	0
Grants applied re EU			0	0	0	0	0	0	0
Transfers to/from earmarked reserves	-13,739	25,276	11,537	-11,537	0	0	-11,537	0	0
Total transfers to earmarked funds	-17,357	28,894	11,537	-11,537	0	0	-11,537	0	0
Net Increase/Decrease in year	0	13,746	13,746	-34,991	-250	-2,641	-37,882	0	-24,136
Balance 31 March 2015 carried forward	2,353	65,522	67,875	-102,192	11,831	92,938	2,577	-2	70,450

MERSEYTRAVEL
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

MERSEYTRAVEL 2013/14	Revenue Reserves (Note 22) £000's	Earmarked Reserve (Note 22) £000's	Total Useable Reserves £000's	Pension Reserve (Note 22) £000's	Revaluation Reserve (Note 22) £000's	Deferred Capital Grants (Note 22) £000's	Total Unusable Reserves £000's	Total Reserves £000's
Bal b/f 1 st April 2013	1,739	43,796	45,535	-68,644	3,857	102,260	37,473	83,008
Prior period adjustment			0		8,589	-6,405	2,184	2,184
Restated Bal b/f 1 st April 2013	1,739	43,796	45,535	-68,644	12,446	95,855	39,657	85,192
Movement in Reserves during 2013/14:								
Restated Surplus on the provision of services	5,600	0	5,600	0	0	0	0	5,600
Remeasurements (liabilities & assets)	0	0	0	3,322	0	0	3,322	3,322
Total comprehensive income & expenditure	5,600	0	5,600	3,322	0	0	3,322	8,922
Pensions charged to CIES - See note 23	7,242	0	7,242	-7,242	0	0	-7,242	0
Employer's pension contribution	-5,363	0	-5,363	5,363	0	0	5,363	0
Capital grants applied MITA re PPE	0	-4,270	-4,270	0	0	4,270	4,270	0
Release from reserves for depreciation/Impairment	4,936	0	4,936	0	-390	-4,546	-4,936	0
Assets held for sale		0	0	0	0	0	0	0
Transfer to reserve	0	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	6,815	-4,270	2,545	-1,879	-390	-276	-2,545	0
Net increase/(decrease) before transfers to earmarked funds	12,415	-4,270	8,145	1,443	-390	-276	777	8,922
Transfers to/from earmarked funds								
Capital grants received MITA	-12,910	12,910	0	0	0	0	0	0
Capital grants received EU	0	0	0	0	0	0	0	0
Grants applied MITA revenue from capital	9,137	-9,137	0	0	0	0	0	0
Transfers to earmarked reserves	-8,642	8,642	0	0	0	0	0	0
Total transfers to earmarked funds	-12,415	12,415	0	0	0	0	0	0
Net Increase/Decrease in year	0	8,145	8,145	1,443	-390	-276	777	8,922
Balance 31 March 2014 carried forward	1,739	51,941	53,680	-67,201	12,056	95,579	40,434	94,114

MERSEYTRAVEL
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

MERSEYTRAVEL 2014/15	Revenue Reserves (Note 22) £000's	Earmarked Reserve (Note 22) £000's	Total Useable Reserves £000's	Pension Reserve (Note 22) £000's	Revaluation Reserve (Note 22) £000's	Deferred Capital Grants (Note 22) £000's	Total Unusable Reserves £000's	Total Reserves £000's
Bal b/f 1st April 2014 as Restated	1,739	51,941	53,680	-67,201	12,056	95,579	40,434	94,114
Movement in Reserves during 2014/15:								
Surplus on the provision of services	8,887	0	8,887	0	0	0	0	8,887
Other comprehensive income and expenditure			0		-441	1,792	1,351	1,351
Transfer of MITA pensions deficit	-11,537		-11,537	0		0	0	-11,537
Remeasurements (liabilities & assets)	0	0	0	-23,231	0	0	-23,231	-23,231
Total other comprehensive income & expenditure	-11,537	0	-11,537	-23,231	-441	1,792	-21,880	-33,417
			0					
Pensions charged to CIES - See note 23	7,561	0	7,561	-7,561	0	0	-7,561	0
Employer's pension contribution	-7,338	0	-7,338	7,338	0	0	7,338	0
Grants applied LCRCA re PPE	0	-3,717	-3,717	0	0	3,717	3,717	0
Release from reserves for depreciation/impairment	8,044	0	8,044	0	0	-8,044	-8,044	0
Disposal of assets held for sale	0	106	106	0	0	-106	-106	0
Transfer from Reserves/Use of Capital Receipts	0	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	8,267	-3,611	4,656	-223	0	-4,433	-4,656	0
Net increase/(decrease) before transfers to earmarked funds	5,617	-3,611	2,006	-23,454	-441	-2,641	-26,536	-24,530
Transfers to/from earmarked funds								
Grants received LCRCA	-18,589	18,589	0	0	0	0	0	0
Grants applied LCRCA revenue from capital	14,971	-14,971	0	0	0	0	0	0
Transfers to earmarked reserves	-1,999	13,536	11,537	-11,537	0	0	-11,537	0
Total transfers to earmarked funds	-5,617	17,154	11,537	-11,537	0	0	-11,537	0
Net Increase/Decrease in year	0	13,543	13,543	-34,991	-441	-2,641	-38,073	-24,530
Balance 31 March 2015 carried forward	1,739	65,484	67,223	-102,192	11,615	92,938	2,361	69,584

The notes from page 25 onwards form part of these accounts.

MERSEYTRAVEL
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

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

2014			2015		Note No.
Group £000's	Executive £000's		Group £000's	Merseytravel £000's	
		Operating Activities			
-6,391	-5,600	Net (surplus) on the provision of services	-9,090	-8,887	27
		<i>Adjustments to net surplus or deficit on the provision of services for non cash movements:</i>			
-5,135	-4,935	Depreciation and impairment of property, plant and equipment	-8,260	-8,070	
4,651	4,915	(Increase) / decrease in trade and other receivables	-4,491	-4,712	
-43	27	(Increase) / decrease in inventories	86	-12	
3,465	2,051	Increase / (decrease) in trade and other payables	1,864	2,347	
194	172	Movement in provisions	295	277	
		<i>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</i>			
-1,879	-1,879	Transfer from pension reserve	-223	-223	
-5,138	-5,249	Net cash flow from operating activities	-19,819	-19,280	
		Investing Activities			
3,936	3,882	Purchase of property, plant and equipment and intangible assets	3,880	3,496	
0	0	Proceeds from the sale of property, plant and equipment and intangible assets	-82	-82	
0	0	Loans Advanced	0		
-20	-269	Loan payments received	-21	-156	
3,916	3,613	Net cash flows from investing activities	3,777	3,258	
		Financing Activities			
-191	-197	Other receipts from financing activities	-185	-185	
123	123	Repayment of internal loans*	128	128	
-7,700	-7,700	Repayment of loan to ITA/LCRCA			
0	0	Advance of loan to ITA/LCRCA	5,400	5,400	
0	0	Repayment of short term and long term borrowing	0	0	
191	197	Other payments for financing activities	185	185	
-7,577	-7,577	Net cash flows from financing activities	5,528	5,528	
-8,799	-9,213	Net (increase)/decrease in cash and cash equivalents	-10,514	-10,494	
-27,110	-26,569	Cash and cash equivalents as at 1 April	-35,909	-35,782	
-35,909	-35,782	Cash and cash equivalents as at 31 March	-46,423	-46,276	

* In respect of repayment of internal Group loans. Notes from page 25 onwards form part of these accounts.

MERSEYTRAVEL
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. This requires PTE's to prepare their accounts under CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (The Code) in so far as it is applicable.

The financial statements were authorised for issue by the Director of Resources on 17 September 2015 This is the date up to which events after the balance sheet date have been considered.

Basis of Preparation

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

Group accounts and Basis of Consolidation

The financial statements comprise the accounts of Merseytravel and its subsidiary and associated undertakings as at 31 March 2015, as listed in note 13.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. They are fully consolidated on a line-by-line from the date that Merseytravel 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.

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

Interests in subsidiaries and unlisted equity interests

In Merseytravel's own entity accounts, Merseytravel's interests in its subsidiaries are included at their historical cost less any impairment provision (note 13).

The initial fair value of Merseytravel'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

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

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.

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 to Merseytravel or Group 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.

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

1 Summary of Significant Accounting Policies (continued)

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.
- 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.

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 Executive'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.

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 de-recognised 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 from the following month. 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.

1 Summary of Significant Accounting Policies (continued)

Heritage Assets

These assets are to be preserved in trust for future generations because of their cultural, environmental or historical associations. Merseytravel reclassified several assets that were previously included within plant and equipment. These assets are now shown separately on the face of the balance sheet. The Beatles Story owns a statue in commemoration of John Lennon, which is also shown in the Group accounts.

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. Surplus tram rail assets have been reclassified into this category as they meet this criteria as they are being actively marketed for sale.

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

Impairment of non-financial assets

Merseytravel 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, Merseytravel 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 does not 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 Merseytravel'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 re-valued, 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.

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

1 Summary of Significant Accounting Policies (continued)

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

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

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

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.

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(Code Chapter 7.3), and recognised at cost. Merseytravel has not designated any financial assets as at fair value through profit or loss. Merseytravel'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 a 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: are 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 and Expenditure Statement in the period in which it is recognised.

Impairment of financial assets: Merseytravel 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. Merseytravel has not designated any financial liabilities as at fair value through profit or loss. Merseytravel'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.

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

1 Summary of Significant Accounting Policies (continued)

Subsequent measurement depends on their classification as follows:

Loans and borrowings: consist of non-derivative financial liabilities with fixed or determinable payments not quoted in an active market. 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: are 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 further information below.

Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset, and the net amount reported in the Statement of Financial Position, 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.

Debtors

Receivables are considered both individually and collectively for impairment and provision has been made for all overdue receivables as at 31 March 2015. Where the actual amount has not yet been determined, the amount provided is estimated on the basis of the latest available information.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when Merseytravel 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 Merseytravel 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 Merseytravel'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 Merseytravel. Contingent assets are not recognised in the balance sheet, but disclosed in a note to the accounts where it is probable that there will be an 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 Merseytravel. Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

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

1 Summary of Significant Accounting Policies (continued)

Pensions

Merseytravel participates in a defined benefit pension scheme, 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.

The employees of Merseytravel are members of a Local Government Superannuation Scheme: The Merseyside Pension Fund.

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 CIES on a straight-line basis over the vesting period or immediately if the benefits have vested.

When a settlement (eliminating 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.

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 were charged to the CIES in line with IAS 19 (The Code Chapter 6.4) (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 CIES being charged or credited to the Pension Reserve. For further details on Pensions please refer to note 23.

Prior Period Adjustments, Changes in Accounting Policies 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 affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on Merseytravel's financial position or financial performance.

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

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

1 Summary of Significant Accounting Policies (continued)

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 significant the items are to an understanding of Merseytravel's financial performance.

Value Added Tax

Income and expenditure excludes VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

Reserves

Reserves are classified as either 'Useable' (identified and maintained for specific future purposes), or 'Unusable' (kept to manage the accounting processes for non-current assets and retirement and employee benefits). Unusable Reserves do not represent resources available for use by Merseytravel.

Support Service Allocation

In line with best practice, charges for the cost of central support services - accounting, legal etc. are fully charged or apportioned to those that benefit from the supply of service using time recording and other methods.

Accruals of income and expenditure

Expenditure and income is accounted for in the period it takes place, not when cash is received or paid.

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 provide evidence of conditions 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

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) Merseytravel 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 Executive from 1 April 2015, 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 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 Merseytravel's 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 Merseytravel'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: Merseytravel has various commercial property leases to let out property units to third parties. Merseytravel 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: Merseytravel carries certain assets at fair value. Periodically, external revaluations are used and the last independent survey was carried out in March 2014. Between independent surveys, reviews are carried out by internal but qualified staff. Such valuations and any related 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.

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.
- Any known liquidations or receiverships.

Provisions: Provisions set out in note 19 are based on management's best estimate of the amount and timing of liabilities.

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

4. 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 SERCOP. Decisions about resource allocation are taken by Merseytravel's Board of Directors based on reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. For budgeting and management purposes, Merseytravel is organised into business units based on the following reportable segments as shown on the following tables:

	Ferry and tourism services	Bus services	Rail services	Prepaid and travel concessions	Others services	Total segments	Inter departmental charges, depreciation and pensions	Non distributed costs	Cost of services reported in CIES
Group Income 2014	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees charges and service income	7,903	10,528	19,080	26,689	26,226	90,426	-17,184		73,242
Government grant income	0	0	98,610	0		98,610			98,610
Other grant income	700	0	0	0		700			700
Total income	8,603	10,528	117,690	26,689	26,226	189,736	-17,184	0	172,552
Group Expenditure 2014									
Franchises and operators	0	24,507	97,188	80,961	0	202,656			202,656
Support services	1,616	1,920	940	1,500	34,254	40,230	-17,184		23,046
Depreciation and impairment	0	0	0	0	0	0	5,144		5,144
Pension costs	0	0	0	0	0	0	4,384	3,275	7,659
Provisions	0	0	0	0	0	0		175	175
Other expenses	8,267	2,997	19,228	0	0	30,492		8,903	39,395
Total expenditure	9,883	29,424	117,356	82,461	34,254	273,378	-7,656	12,353	278,075
Net cost of services	-1,280	-18,896	334	-55,772	-8,028	-83,642	-9,528	-12,353	-105,523
	Ferry and tourism services	Bus services	Rail services	Prepaid and travel concessions	Other services	Total segments	Inter departmental charges, depreciation and pensions	Non distributed costs	Cost of services reported in CIES
Group Income 2015	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees charges and service income	8,230	10,203	19,800	25,593	31,415	95,241	-20,973	0	74,268
Government grant income	0	0	95,438	0	0	95,438	0	0	95,438
Other grant income	700	0	0	0	0	700	0	0	700
Total income	8,930	10,203	115,238	25,593	31,415	191,379	-20,973	0	170,406
Group Expenditure 2015									
Franchises and operators	0	23,260	93,969	80,001	0	197,230	0	0	197,230
Support services	1,732	1,410	1,038	1,810	39,416	45,406	-20,973	0	24,433
Depreciation and impairment	0	0	0	0	0	0	8,236	0	8,236
Pension costs	0	0	0	0	0	0	4,452	3,915	8,367
Provisions	0	0	0	0	0	0	0	262	262
Other expenses	8,227	3,837	18,673	0	0	30,737	0	14,971	45,708
Total	9,959	28,507	113,680	81,811	39,416	273,373	-8,285	19,148	284,236
Net cost of services	-1,029	-18,304	1,558	-56,218	-8,001	-81,994	-12,688	-19,148	-113,830

No operating segments have been aggregated in order to report reportable operating segments. Segment revenue, segment expense and segment result include cross charges between business segments that are eliminated on consolidation.

Employee costs are included in support services and other expenses are set out in note 6

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

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

The income and expenditure of the Merseytravel's and the Group principal reporting segments for management for the year is as follows:

2013/14			Group Accounts	2014/15			Note No
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000's	£000's	£000's		£000's	£000's	£000's	
9,883	8,603	1,280	Mersey Ferries Group	9,959	8,930	1,029	
29,424	10,528	18,896	Bus Services	28,507	10,203	18,304	
117,356	117,690	-334	Rail Services (including Rolling Stock)	113,680	115,238	-1,558	
82,461	26,689	55,772	Prepaid and Concessionary Travel	81,811	25,593	56,218	
34,254	26,226	8,028	Other Services	39,416	31,415	8,001	
-17,184	-17,184	0	Interdepartmental Charges	-20,973	-20,973	0	
5,144	0	5,144	Depreciation & Impairment	8,236	0	8,236	
4,384	0	4,384	Pensions: Current service costs & curtailments	4,452	0	4,452	
265,722	172,552	93,170	Highways & Transport services	265,088	170,406	94,682	
175	0	175	Transfers to provisions	262	0	262	
3,275	0	3,275	Pensions Special Contributions	3,915	0	3,915	23
8,903	0	8,903	Revenue expenditure treated as capital	14,971	0	14,971	11
12,353	0	12,353	Non distributed costs	19,148	0	19,148	
278,075	172,552	105,523	Cost of services	284,236	170,406	113,830	
2,771	0	2,771	Pensions: Net Interest	3,006	0	3,006	23
191	239	-48	Interest Payable/Receivable	185	233	-48	
117	0	117	Taxation	35	0	35	8
3,079	239	2,840	Financing & investment income	3,226	233	2,993	
0	105	-105	European Union Grants	0	2	-2	
0	12,910	-12,910	Other Income - Grants applied	0	18,589	-18,589	
0	1,439	-1,439	- LSTF, BSOG, etc.	0	4,866	-4,866	
0	100,300	-100,300	Revenue Support Grant from MITA/LCRCA	0	102,456	-102,456	
0	114,754	-114,754	Taxation & non specific grant income	0	125,913	-125,913	
281,154	287,545	-6,391	(Surplus)/Deficit on Provision of Services	287,462	296,552	-9,090	

For further details regarding Merseytravel's pension deficit, please refer to Note 23.

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

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

2013/14			MERSEYTRAVEL	2014/15			Note No
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000's	£000's	£000's		£000's	£000's	£000's	
29,424	10,528	18,896	Bus Services	28,507	10,203	18,304	
103,430	100,395	3,035	Rail Services	99,951	97,255	2,696	
82,461	26,689	55,772	Concessionary Travel	81,811	25,593	56,218	
36,565	31,318	5,247	Other Services	40,902	37,152	3,750	
			Grants to:				
1,760	0	1,760	Mersey Ferries Ltd	1,449	0	1,449	
27	0	27	Mersey Passenger Transport Services Ltd	0	0	0	
-13,355	-13,355	0	Inter departmental charges	-16,919	-16,919	0	
4,936	0	4,936	Depreciation & Impairment	8,044	0	8,044	
4,384	0	4,384	Pensions: Current service costs & curtailments	4,452	0	4,452	
249,632	155,575	94,057	Highways & Transport Services	248,197	153,284	94,913	
175	0	175	Transfers to provisions	262	0	262	
3,275	0	3,275	Pensions: Special contributions	3,915	0	3,915	23
8,903	0	8,903	Revenue expenditure treated as Capital	14,971	0	14,971	11
12,353	0	12,353	Non distributed costs	19,148	0	19,148	
261,985	155,575	106,410	Cost of services	267,345	153,284	114,061	
2,771	0	2,771	Pensions: Net Interest	3,006	0	3,006	23
191	239	-48	Interest Payable/Receivable	185	233	-48	
21	0	21	Taxation	7	0	7	8
2,983	239	2,744	Financing & investment income	3,198	233	2,965	
0	105	-105	European Union Grants	0	2	-2	
0	12,910	-12,910	Other Income - Grants applied	0	18,589	-18,589	
	1,439	-1,439	- LSTF, BSOG, etc	0	4,866	-4,866	
0	100,300	-100,300	Revenue Support Grant from MITA/LCRCA	0	102,456	-102,456	
0	114,754	-114,754	Taxation & non specific grant income	0	125,913	-125,913	
264,968	270,568	-5,600	(Surplus)/Deficit on Provision of Services	270,543	279,430	-8,887	

For further details regarding the Merseytravel's pension deficit, please refer to Note 23.

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

5. Surplus on the Provision of Services

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

	Group		Merseytravel	
	2015 £000's	2014 £000's	2015 £000's	2014 £000's
Grant income:				
Rail services – Special Rail Grant	95,438	98,610	95,438	98,610
Revenue Grant	102,456	100,300	102,456	100,300
Capital grants	18,589	12,910	18,589	12,910
European grants	2	105	2	105
Depreciation of property, plant and equipment (including impairment)	8,044	5,144	8,044	4,936
Operating leases - minimum lease payments	12,158	12,293	0	0
Auditors' remuneration *	68	49	50	40
Pension costs	7,561	7,242	7,561	7,242

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

(b) Auditor's remuneration

KPMG Audit fees for Merseytravel accounts are £50k for 2014/15 (£50k 2013/14).

6. Staff costs and headcount

When the Merseyside Integrated Transport Authority was abolished all staff previously employed were subsequently transferred to Merseytravel for pay and pensions purposes. This related to the former Directors of MITA, together with officers of the Mersey Tunnels Police. This was actioned on the 1st April 2014. The former Directors of MITA are now the senior officers of Merseytravel. These officers are now included for the total staff for 2015 for Merseytravel and Group. The number of persons employed by Merseytravel (expressed as whole time equivalents) as at 31 March was:

	Group		Merseytravel	
	2015 No's	2014 No's	2015 No's	2014 No's
Analysis:- Operations	492	400	380	273
Catering/Retail	50	44	35	36
Management and administration	277	276	258	257
Total	819	720	673	566
The aggregate payroll cost for current employees was as follows:-				
Salaries and Wages	22,511	18,110	21,364	15,366
National Insurance	1,664	1,344	1,579	1,156
Superannuation *	2,972	1,903	2,972	1,725
Total	27,147	21,357	25,915	18,247

* The Merseyside Pension Fund administers, on Merseytravel's behalf, a superannuation scheme that provides for the cost of meeting the future pension liabilities of Merseytravel's workforce.

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

6. Staff costs and headcount (continued)

The contribution rate payable by Merseytravel is determined by the Fund's actuary, based on triennial valuations.

The following table sets out the remuneration paid to Merseytravel's Directors paid in excess of £50k per annum salary (excluding pension contributions):

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 2014 figures are for illustrative purposes only, as these are the costs borne by the former MITA. The pension contribution rate for Merseytravel staff is 14.4%. (MITA rates were 12.5% in 2013/14)

* The 2014 for CX/DG figures equate to 10 months only. This would have equated to total pay of £152,771 for 2013/14.

Merseytravel's employees, other than Directors disclosed above, receiving more than £50,000 remuneration for the year (excluding pension contributions), are in the following table (this now include Heads of Service previously disclosed separately):

	Group		Merseytravel	
	2015	2014	2015	2014
£50,000 to £54,999	17	9	17	9
£55,000 to £59,999	15	2	15	2
£60,000 to £64,999	10	2	10	2
£65,000 to £69,999	1	0	1	0
£70,000 to £74,999	4	0	4	0
£75,000 to £79,999	1	0	1	0
£80,000 to £84,999	0	3	0	2
£85,000 to £89,999	3	0	3	0
£100,000 to £104,999	0	1	0	1
£105,000 to £109,999	1	0	1	0
£140,000 to £144,599	1	0	1	0

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

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

Merseytravel 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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	No.	No.	No.	No.	No.	No.	£000	£000
£0 -£20,000	0	0	15	2	15	2	167	18
£20,001 - £40,000	0	0	12	4	12	4	335	135
£40,001 - £60,000	0	0	10	0	10	1	491	60
£60,001 -£80,000	0	0	0	1	0	1	0	68
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	0	0	37	7	37	8	993	281

7. Finance Costs – Interest Payable

	Group		Merseytravel	
	2015 £000's	2014 £000's	2015 £000's	2014 £000's
On loan capital – other	0	0		0
On inter company loan (MITA/LCRCA)	0	0	185	197
On pension scheme	12,610	10,011	12,610	10,011
	12,610	10,011	12,795	10,208

Finance Income – Interest Receivable

	Group		Merseytravel	
	2015 £000's	2014 £000's	2015 £000's	2014 £000's
From short-term loans and deposits	0	1	0	0
On inter company loan (TBS)	0	0	185	197
On pension scheme	9,604	7,240	9,604	7,240
	9,604	7,241	9,789	7,437

8. Taxation

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

Taxation in the consolidated income and expenditure statement represents taxation paid by the employer for certain employee benefits deemed by HMRC to be taxable and corporation tax payable, 2014/15 £7k (2013/14 £21k).

The Group CIES also includes the net estimated corporation tax payable on the Beatles Story profits £35k, (2013/14 £75k).

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

9. Property, Plant and Equipment

An analysis of the movements within the gross and depreciated or impaired book value of property, plant and equipment by key category is contained in the tables below:

Group	Infrastructure Assets	Freehold Property	Leasehold Property	Plant & Machinery	Vessels	Ancillary Vehicles	Assets Under Construction	Surplus Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
As at 1 April 2013	87,073	0	856	29,578	10,141	26	893	544	129,111
Prior period adjustment	-55,456	12,635	55,727	-16,076	-2,203	10	-893	3,097	-3,159
Other Movements		-2,644	-3,169	-7,794	-2,083	-10	0	-25	-15,725
Restated 1 April 2013	31,617	9,991	53,414	5,708	5,855	26	0	3,616	110,227
Additions	1,717	153	164	1,504	561	0	0	0	4,099
Reclassifications	247	0	0	-13	0	0	0	0	234
Other Movements		-553	-1,103	-815	-495	-2	0	0	-2,968
Restated 31 March 2014	33,581	9,591	52,475	6,384	5,921	24	0	3,616	111,592
Additions	2,566	96	83	874	463	12			4,094
Revaluation adjustments		964	4,297	-1,069	-1,467	-14		-1,169	1,542
Other Movements		-389	-1,207	-1,880	-339	0	0	-6	-3,821
Assets reclassified to/from assets held for sale								-180	-180
Disposals	0						0	-106	-106
At 31 March 2015	36,147	10,262	55,648	4,309	4,578	22	0	2,155	113,121
Depreciation and impairment:									
As at 1 April 2013	9,157	0	211	10,372	2,083	10	0	25	21,858
Prior period adjustment	-7,708	2,644	2,958	-2,578					-4,684
Other Movements		-2,644	-3,169	-7,794	-2,083	-10		-25	-15,725
Restated 1 April 2013	1,449	0	0	0	0	0	0	0	1,449
Depreciation	2,176	553	1,103	815	495	2	0	0	5,144
Other Movements		-553	-1,103	-815	-495	-2			-2,968
Restated 31 March 2014	3,625	0	0	0	0	0	0	0	3,625
Depreciation	1,951	389	1,207	794	339				4,680
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	2,392		0	1,086				6	3,484
Other Movements		-389	-1,207	-1,880	-339			-6	-3,821
At 31 March 2015	7,968	0	0	0	0	0	0	0	7,968
Net Book Value:									
At 1 April 2013 (restated)	30,168	9,991	53,414	5,708	5,855	26	0	3,616	108,778
At 1 April 2014 (restated)	29,956	9,591	52,475	6,384	5,921	24	0	3,616	107,967
At 31 March 2015	28,179	10,262	55,648	4,309	4,578	22	0	2,155	105,153

The net book value of land and buildings as at 31 March 2015 comprised long leasehold land and buildings.

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

9. Property, Plant and Equipment (continued)

MERSEYTRAVEL	Infrastructure Assets	Freehold Property	Leasehold Property	Plant & Machinery	Vessels	Ancillary Vehicles	Assets Under Construction	Surplus Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:									
As at 1 April 2013	87,073	0	0	26,479	10,141	26	893	544	125,156
Prior period adjustment	-55,456	12,635	55,727	-16,079	-2,203	10	-893	3,097	-3,162
Other Movements		-2,644	-2,958	-5,383	-2,083	-10		-25	-13,103
Restated 1 April 2013	31,617	9,991	52,769	5,017	5,855	26	0	3,616	108,891
Additions	1,717	153	156	1,449	561				4,036
Reclassifications	247			-13					234
Other movements		-553	-1,064	-646	-495	-2	0	0	-2,760
Restated 31 March 2014	33,581	9,591	51,861	5,807	5,921	24	0	3,616	110,401
Additions	2,566	96	-15	588	463	12			3,710
Revaluation adjustments		964	4,297	-1,259	-1,467	-14		-1,169	1,352
Other Movements		-389	-1,166	-1,731	-339	0	0	-6	-3,631
Disposals				0				-106	-106
Assets reclassified to/from assets held for sale								-180	-180
At 31 March 2015	36,147	10,262	54,977	3,405	4,578	22	0	2,155	111,546
Depreciation and impairment:									
Restated 1 April 2013	9,157	0	0	7,964	2,083	10	0	25	19,239
Prior period adjustment	-7,708	2,644	2,958	-2,581					-4,687
Other Movements		-2,644	-2,958	-5,383	-2,083	-10		-25	-13,103
Restated 1 April 2013	1,449	0	0	0	0	0	0	0	1,449
Depreciation	2,176	553	1,064	646	495	2		0	4,936
Other Movements		-553	-1,064	-646	-495	-2			-2,760
Restated 31 March 2014	3,625	0	0	0	0	0	0	0	3,625
Depreciation	1,951	389	1,166	645	339				4,490
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	2,392			1,086				6	3,484
Reclassifications									0
Other Movements		-389	-1,166	-1,731	-339			-6	-3,631
At 31 March 2015	7,968	0	0	0	0	0	0	0	7,968
Net Book Value:									
At 1 April 2013 (restated)	30,168	9,991	52,769	5,017	5,855	26	0	3,616	107,442
At 1 April 2014 (restated)	29,956	9,591	51,861	5,807	5,921	24	0	3,616	106,776
At 31 March 2015	28,179	10,262	54,977	3,405	4,578	22	0	2,155	103,578

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

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

Valuation of property, plant and equipment

Merseytravel carries out 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 Valuers 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 Merseytravel's preparation for the introduction of the accounting implications of the Local Authority Accounting Panel (LAAP) 100. These values have been re indexed to 2014/15 values and have been included within the asset values for this set of accounts

A prior year adjustment has been actioned regarding a change of accounting policy of infrastructure assets. Assets previously classified as Infrastructure, and consequently shown at depreciated historical cost in the balance sheet, were reclassified as Property and Buildings. The impact of this was to restate values at depreciated replacement cost basis, with a corresponding adjustment to the Revaluation reserve.

Merseytravel has also carried out an impairment of its IT assets within the balance sheet. This resulted in the write down of a major portion of the net book value of these assets with a resulting impairment charge posted to the CIES.

The cumulative revaluation surplus held in Merseytravel's revaluation reserve at 31 March 2015 was £11,6m (2013/14 £12.1m). The Group position at 31 March 2015 was £11,8m (2013/14 £12.1m).

Depreciation

Depreciation is calculated, from the month that an asset becomes operational, 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:-

	Years
Infrastructure Assets	5-50
Leasehold Property	23
Plant & Machinery	2-16
Vessels	14-19
Ancillary Vehicles	8

10. Heritage Assets

	Merseytravel	Group
	£000's	£000's
Restated At 1 April 2014	326	711
Reclassification	0	0
Revaluations	0	0
At 31 March 2015	326	711

The reclassification of Infrastructure assets referred to in Note9 led to the identification of heritage assets. These were subsequently reclassified as part of the prior period adjustment.

In October 2010, a subsidiary of Merseytravel, The Beatles Story was gifted an 18 feet high monumental sculpture to celebrate the life of John Lennon. The statue continues to be displayed in front of Liverpool Echo arena offering unlimited public access. In 2012, the monument was valued for insurance purposes at a replacement cost of £385k by Patrick Bowen Fine Art Consultants. No further valuation was undertaken during 2014/15.

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

11. Capital Projects

The total amount of capital expenditure incurred in the year is summarised in the table below, together with the resources which were utilised in financing.

	Group		Merseytravel	
	2014/15	2013/14	2014/15	2013/14
	£000's	£000's	£000's	£000's
Capital Investment				
Property, plant and equipment	3,717	4332	3,717	4270
Revenue expenditure treated as capital *	14971	8903	14971	8903
	18688	13235	18688	13173
Sources of finance				
Grants receivable in year from MITA/LCRCA	-18589	-12910	-18589	-12910
Government grants and other contributions	0	0	0	0
Use of reserves etc	-16	-325	-16	-263
Use of capital receipts	-83	0	-83	0
Total funding	-18688	-13235	-18688	-13173

* Costs required by statute to be treated as capital but required by accounting standards to be written off principally comprising works carried out on land and buildings in which Merseytravel does not have an interest (e.g. signage and bus priority measures). This expenditure is included as other expenses in the segmental analysis in Note 4.

As at 31 March 2015 Merseytravel was contractually committed to further capital works which amounted to approximately £7.4m (2013/14 £9.1m). For further analysis, please see Note 25.

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

12. Intangible assets

	Goodwill on Consolidation £000's	Licenses £000's	Fab 4D Film £000's	2014/15 Total £000's	Goodwill on Consolidation £000's	Licenses £000's	Fab 4D Film £000's	2013/14 Total £000's
Cost or valuation:								
Opening balance:								
Gross carrying amount	2803	319	208	3330	2803			2803
Reclassification				0		319	208	527
Additions		7		7				0
Accumulated amortisation	-1108	-150	-44	-1302	-1108	-150	-44	-1302
Opening net carrying amount	1695	176	164	2035	1695	169	164	2028
Amortisation and impairment:								
Impairment losses recognised in the surplus or deficit on the provision of services			-2	-2				
Amortisation	0	-59	-11	-70	0	0		0
Net carrying amount at end of year	1695	117	151	1963	1695	169	164	2028
Comprising:								
Gross carrying amount	2803	326	208	3337	2803	319	208	3330
Accumulated amortisation	-1108	-209	-57	-1374	-1108	-150	-44	-1302
	1695	117	151	1963	1695	169	164	2028

Merseytravel now separately identifies licences and the Fab 4 film acquired as part of the capital programme, and amortises these over their life. The net carrying amount was adjusted by £333k as part of the reclassification referred to in Note 9.

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 Merseytravel at which goodwill is monitored for internal management purposes.

Merseytravel carried out an annual impairment test of goodwill 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%. The growth rate used to extrapolate the cash flows beyond the 2017/18 year period is 3% (2013/14 3%), which is consistent with expected growth rates over previous years in this business area. 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.

13. Investments

Merseytravel	Loans £000's	Investment in companies £000's	Total £000's
At 1 April 2013	3,908	0	3,908
Additions	0	0	0
Repayments of capital	-122	0	-122
Impairments	0	0	0
At 31 March 2014	3,786	0	3,786
Repayments of capital	-128	0	-128
At 31 March 2015	3,658	0	3,658

Loans made by Merseytravel all relate to a loan to Mersey Ferries to acquire The Beatles Story.

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

Investments (continued)

Merseytravel's principal trading subsidiary undertakings and equity shareholdings in unlisted companies, all of which are incorporated in England, as at 31 March 2015 are shown in the table below.

Name	Immediate parent	Holding	Nature of the business	% equity interest 2015	% equity interest 2014
Mersey Ferries Ltd	Merseytravel	Company limited by guarantee	Passenger Transport	N/A*	N/A*
Merseyside Passenger Transport Service Ltd	Merseytravel	25 £1 Ord. Shares 375 £1 5% Non Cumulative Pref shares	Leasing	100	100
Real Time Information Group Limited	Merseytravel	1 £1 Ord Shares	Real Time Information systems	100	100
Global Smart Media Ltd	Merseytravel	17,648 - 10p Ord Shares	Smartcard	87.9	87.9
Accrington Technologies Ltd	Merseytravel	500 £1 Ord Shares	Smartcard	50.1	50.1
The Beatles Story Ltd	Mersey Ferries Ltd	290,000 £1 Ord Shares	Tourism	100	100

Dormant companies

Merseytravel Ltd is a wholly owned subsidiary that was dormant in the year ended 31 March 2015.

Group

Group accounts consolidate the results of all active subsidiaries.

The investment in the group balance sheet of £Nil (2014 -£ Nil) represents the Smart Transactions Group Limited (STG). The Group Investment is the estimated cost, less any impairment, of Merseytravel's investment in 256,068 Ordinary £1 shares of 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.

14. Assets held for sale

	Group		Merseytravel	
	2015 £000's	2014 £000's	2015 £000's	2014 £000's
Balance outstanding at the start of the year	0	0	0	0
Assets newly classified as held for sale:	180	0	180	0
Former MPTE Headquarters building	0	0	0	0
Assets sold	0	0	0	0
Balance outstanding at the year end	180	0	180	0

As at 31 March 2015, Merseytravel was actively sourcing a buyer for non-operational tram rails. These assets were transferred to Assets held for Sale on the face of the balance sheet

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

Profit 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 31 March 2015, this was a £24k loss relating to the sale of surplus land.

15. Inventories

	Group		Merseytravel	
	2015 £000's	2014 £000's	2015 £000's	2014 £000's
Balance outstanding at the start of the year	415	458	54	27
Purchases				
Recognised as an expense in the year	86	-43	-11	27
Written off in the year				
Balance outstanding at the year end	501	415	43	54

16. Debtors

(a) Amounts falling due within one year:

	Group		Merseytravel	
	2,015 £000's	2,014 £000's	2,015 £000's	2,014 £000's
Central Government Bodies	2,281	2,209	2,213	2,144
Other Local Authorities	33,031	22,169	33,025	22,161
NHS bodies	14	32	14	32
Public Corporations and Trading Funds	0	49	0	49
Other entities and individuals	7,260	17,218	6,846	17,024
Total current trade and other receivables	42,586	41,677	42,098	41,410

"Other Local Authorities" includes £27,100k (2014 £21,700k) provided to Merseytravel's parent LCRCA for investment on behalf of Merseytravel.

Trade receivables are non-interest bearing and are generally on terms of 30 days or less. These are shown net of a provision for impairment. For details pertaining to related parties, see note24.

At 31 March 2015, Merseytravel had trade receivables at a nominal value of £711k (2014: £1,007k). Group trade receivables at 31 March 2015 were £1,082k (2014 £1,203k). Movements in the provision for impairment of receivables were as follows:

Bad debt provision	Group		Merseytravel	
	2015 £000's	2014 £000's	2015 £000's	2014 £000's
Opening provision	309	51	47	45
Amounts written off	-32	258	-29	2
Amounts recovered	-1		-1	
Amounts provided in year	29		27	
Closing provision	305	309	44	47

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

Debtors (continued)

As at 31 March 2015, Merseytravel aged analysis of non-impaired trade debtors was as follows:

	Total £000	Neither overdue nor impaired £000's	Past due but not impaired			
			29-50 days £000's	51-90 days £000's	91-185 days £000's	>186 days £000's
31st March 2015	667	526	114	22	2	3
31st March 2014	960	734	75	60	28	63

(b) Long-term Debtors

Loans	Group		Merseytravel	
	2015 £000's	2014 £000's	2015 £000's	2014 £000's
Rechargeable works	687	687	687	687
Loan to restaurant	88	108	88	108
Other loans	2	3	3,526	3,662
	777	798	4,301	4,457

The loan to restaurant is to the owners of the Pier Head's Matou Pan Asian Restaurant to assist in the fit-out of the restaurant and is repayable over 10 years. Rechargeable works relate to costs recoverable for the construction of the bus station at Liverpool 1. A provision of £687k has been made, (note 19) should they become irrecoverable. Other loans relates to a loan to Mersey Ferries Limited, for the acquisition of the Beatles Story. This is payable in equal instalments of principal and interest until 2032/33. Principal repayments in 2014/15 were £128k (2013/14 £122k).

17. Cash and cash equivalents

	Group		Merseytravel	
	2015 £000's	2014 £000's	2015 £000's	2014 £000's
Cash at bank and in hand	46,423	35,909	46,276	35,782

Both Merseytravel and its' parent (LCRCA) operate the same bank account. Merseytravel deposits surplus cash funds with the LCRCA, which in turn deposits these for periods between one day and twelve months depending on the immediate cash requirements of Merseytravel and LCRCA. LCRCA earns variable rates of interest, but none is due Merseytravel.

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

18. Short term creditors

	Group		Merseytravel	
	2015 £000's	2014 £000's	2015 £000's	2014 £000's
Creditors due within 1 year:				
Central Government Bodies	732	1,401	555	1,248
Other Local Authorities	1,037	1,521	1,025	1,514
Public corporations	0	85	0	85
Other Entities and Individuals	17,583	17,996	17,702	18,561
	19,352	21,003	19,282	21,408

Trade payables are non-interest bearing and are generally on terms of 30 days or less. Merseytravel aims to pay undisputed creditors within 30 days. Actual performance is as follows:

	Merseytravel	
	2014/15	2013/14
Total number of invoices paid	19932	17015
Invoices paid within 30 days	19266	16455
Actual proportion paid within 30 days	96.7%	96.7%
Target	100%	100%

19. Provisions

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

Group	Total	Contractual Obligations	Employment Related	Contracted Maintenance	Taxation
	£000's	£000's	£000's	£000's	£000's
At 1 April 2014	2,754	1,287	548	919	0
Arising during the year	535	127	408	0	0
Utilised during the year	-830	-97	-395	-338	0
Unused amounts reversed	0	0	0	0	0
At 31 March 2015	2,459	1,317	561	581	0
Analysed as:					
Due within one year	155	15	140	0	0
Due after more than one year	2,304	1,302	421	581	0

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

Provisions (continued)

Merseytravel	Total	Contractual Obligations	Employment Related	Contracted Maintenance
	£000's	£000's	£000's	£000's
At 1 April 2014	2,631	826	549	1,256
Arising during the year	523	115	408	
Utilised during the year	-800	-67	-395	-338
At 31 March 2015	2,354	874	562	918
Analysed as:				
Due within one year	140	0	140	0
Due after more than one year	2,214	874	422	918

Significant provisions for both Group and Merseytravel as at 31 March 2015 were:

- Contractual obligations provisions relate to contingent obligations relating to the Merseytram project, together with Insurance claims;
- Employment related provisions are other employee related provisions regarding pensions and job evaluation claims;
- The Contracted Maintenance provision relates to works rechargeable to a third party that are disputed by that party, together with a provision for dredging costs in front of the Pier Head landing stage.

Management have estimated likely settlement dates and have analysed provisions based on this assessment as due within one year and due after more than one year.

Contingent Liabilities

Commercial negotiations are in process relating to disputed costs. Some negotiations were concluded in 2013/14 and 2014/15, and the reserve created for this purpose has been partly utilised. The balance on this reserve is available to fund resulting costs, which are not expected to be concluded for several years. 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 seriously prejudice the outcome of these negotiations.

20. Rail Franchise Agreement (Benefit Share)

Under the franchise agreement in respect of Merseyrail Electrics (MEL), there is an agreement that surpluses above a certain threshold are shared between the franchisee and franchisor (Merseytravel). Merseytravel's net share for 2014/15 was £4.3m (2013/14 £3.4m). Merseytravel's share is required to be discharged in the form of passenger improvements to the service. For 2014/15 costs of £1.6m (2013/14 £1.8m) and income of £5.9m (2013/14 £5.2m) have been included in Merseytravel income and expenditure.

The balance as at 31 March 2015 is £15.8m (2014 £11.5m) is included in useable reserves in the balance sheet. Agreed ongoing expenditure includes strengthening services on the Chester and Ormskirk Lines, funding the enhanced Chester-Liverpool train service and further improvements at Liverpool South Parkway. Discussions are on-going with the franchisee to determine the best use and maximum benefits to the travelling public for investing the remaining £15.8m.

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

21. Financial Instruments

Set out below is a comparison by class of the carrying amounts in the Balance Sheet of Merseytravel's financial assets and financial liabilities with their fair values:

Group	Carrying Amount		Fair Value	
	2015 £000's	2014 £000's	2015 £000's	2014 £000's
Financial Assets:				
Loans & Receivables				
Long-term loans & receivables	0	0	0	0
Long-term debtors	777	818	777	818
Current loans & receivables	34	34	34	34
Amounts deposited with MITA/LCRCA	27,100	21,700	27,100	21,700
Current Financial assets carried at contract amounts	6,554	17,050	6,554	17,050
	34,465	39,602	34,465	39,602
Unquoted equity investment at cost	0	0	0	1,295
	34,465	39,602	34,465	40,897
Financial Liabilities:				
Current trade payables	12,181	13,905	12,181	13,905
Interest bearing loans and borrowings measured at amortised cost:	0	0	0	0
Fixed rate borrowings - due within one year	134	128	134	128
Fixed rate borrowings - due after one year	3,691	3,954	3,691	3,954
	16,006	17,987	16,006	17,987

Merseytravel	Carrying Amount		Fair Value	
	2015 £000's	2014 £000's	2015 £000's	2014 £000's
Financial Assets:				
Loans & Receivables				
Long-Term loans & receivables	3,658	3,786	3,658	3,786
Long-Term debtors	777	799	777	799
Current loans & receivables	38	34	38	34
Amounts deposited with MITA/LCRCA	27,100	21,700	27,100	21,700
Current Financial assets carried at contract amounts	6,275	15,991	6,275	15,991
	37,848	42,310	37,848	42,310
Financial Liabilities:				
Current financial liabilities carried at contract costs	9,977	11,908	9,977	11,908
Current financial liability at amortised costs	134	128	134	128
Long term financial liability at amortised costs	3,523	3,657	3,523	3,657
	13,634	15,693	13,634	15,693

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

Financial Instruments (continued)

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

Group & Merseytravel	2015		2014	
	£000's		£000's	
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables
Interest expense	185	0	191	0
Impairment losses (Bad debts)	0	-305	0	-309
Total expense in Surplus of Deficit on the Provision of Services	185	-305	191	-309
Interest Income	0	-233	0	-239
Total income in Surplus or Deficit on the Provision of Services	0	-233	0	-239
Net gain/(loss) for the year	185	-538	191	-548

Fair Values of Assets and Liabilities

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

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 is 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.

However, it may be unlikely that the future cash flows of a loan will fall in equal time periods from the date of valuation, so adjustments are made to each discount factor in order account for the timing inequality.

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.

The discount rates used for the evaluation were obtained by LCRCA on behalf of Merseytravel from the Public Works Loan Board.

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 4.33% to 7.41%
- No early repayment or impairment is recognised
- The fair value of trade and other receivables are taken to be the invoiced or billed amount.

Long-term receivables have been evaluated for collectability. There is a single counterparty to the long-term debtor and Merseytravel considers that the carrying amount is not impaired at 31 March 2015. Therefore, the carrying value approximates fair value.

Financial Instruments (continued)

Risk Factors

Merseytravel's activities expose it to a variety of financial risks:-

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

Merseytravel'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 Finance Directorate, under policies approved by Merseytravel in its Treasury Management strategy.

(a) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to Merseytravel's customers. 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. Merseytravel on-lends surplus monies interest free to the LCRCA to make investments. These investments are governed by the LCRCA's Treasury Management policy.

Merseytravel's potential exposure to credit risk on the other financial assets is set out in note 16.

(b) Liquidity risk

As Merseytravel 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 Merseytravel will be bound to replenish a proportion of its borrowings at a time of unfavourable interest rates.

All undiscounted financial liabilities are payable within 1 year with the exception of a loan from LCRCA amounting to £3,658k payable by instalments until 2032/33

(c) Market risk

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

Borrowings are carried at amortised cost so nominal gains and losses on fixed rate borrowings would not affect the Statement of Income and Expenditure or Movement in Reserves Statement.

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

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

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

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

22. Reserves

(a) Useable Reserves

An analysis of closing useable reserves is as follows:

	Group		Merseytravel	
	Restated		Restated	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Revenue Reserve	2,353	2,353	1,739	1,739
Earmarked Reserves	65,522	51,776	65,484	51,941
Total Useable Reserves	67,875	54,129	67,223	53,680

(b) Earmarked Reserves

Earmarked reserves can be further analysed as follows:

	As at 01 April 2014	Transfers out	Transfers in	As at 31 March 2015
	£000	£000	£000	£000
Merseytravel				
Capital reserve	5,423	0	2,190	7,613
Rail Franchise agreement (Benefit Share) reserve	11,532	-1,590	5,844	15,786
Rail financing reserve	15,790	-1,466	2,200	16,524
Restructuring reserve	1,352	-282	3,000	4,070
Grant/Contributions unapplied reserve	2,093	0	0	2,093
OLR reserve	2,000	0	0	2,000
Operational reserves	6,000	-44	1,255	7,211
Sustainable transport reserve	0	0	1,832	1,832
Other reserves	7,751	-444	1,048	8,355
Earmarked Reserves	51,941	-3,826	17,369	65,484
Merseytravel Group Earmarked Reserves	-165		203	38
Group Earmarked Reserves	51,776	-3,826	17,572	65,522

- Capital reserve – is used to support the funding of the capital programme
- Rail Franchise agreement (Benefit Share) – is used to support development of strategic transport initiatives
- Revenue reserve – created to allow funding for unbudgeted financial events during the year
- Rail Financing reserve – used to fund the Rolling Stock team and the development of the business case for the proposed rolling stock replacement
- 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 programme
- OLR – Operator of Last Resort – should the incumbent rail operator experience difficulties in running the MEL franchise, Merseytravel has step in rights to allow it to take over the running of the franchise until a new operator can be found
- Operational reserves – used to support the current transport network, and ticketing initiatives
- Sustainable transport – newly created to support the Local Growth Fund initiatives surrounding the STEP programme

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

(c) Unusable Reserves

An analysis of closing unusable reserves is as follows:

	Group		Merseytravel	
		Restated		Restated
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Pension Reserve	-102,192	-67,201	-102,192	-67,201
Revaluation Reserve	11,831	12,081	11,615	12,056
Deferred Capital Grants	92,938	95,579	92,938	95,579
Total Unusable Reserves	2,577	40,459	2,361	40,434

(i) Deferred capital grants

	Deferred Capital Grants £000's
Balance at 1 April 2014 as Restated	95,579
Prior period adjustment	
Revaluation reserve depreciation charge	
Grants received MITA/LCRCA	
Grants Applied:	
Property plant and equipment	3,717
Transfer from Capital reserves	
Released to Revenue:-	
Disposal of PPE	-106
Revaluation reserve adjustment	1,792
Depreciation/Impairment charge	-8,044
Balance at 31 March 2015	92,938

(ii) Pensions Reserve

Upon the abolition of the Merseyside Integrated Transport Authority on 1 April 2014, the associated pension deficits were immediately transferred to Merseytravel. Merseytravel agreed to underwrite this deficit to the Merseyside Superannuation Fund, and in turn, it receives funding to do this via the Liverpool City Region Combined Authority.

The Pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post -employment benefits and for funding benefits in accordance with statutory provisions. Merseytravel accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as Merseytravel makes 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 resources set aside to meet the benefits earned by past and current employees. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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

Group and Merseytravel		
	2015	2014
	£000's	£000's
Balance at 1 April	-67,201	-68,644
Ex MITA deficit transferred to MPTE	-11,537	0
Actuarial (gains)/losses	-	-
Remeasurements (liabilities & assets)	-23,231	3,322
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	-7,561	-7,242
Employers Pension Contributions and direct payments to pensioners in the year	7,338	5,363
Balance at 31 March	-102,192	-67,201

(iii) Revaluation Reserve

The Revaluation reserve contains the gains made by Merseytravel arising from increases in the value of its Property, Plant and Equipment. The balance is subject to reduction 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.

The Group position shows an increase in the value of Heritage assets held by The Beatles Story upon the most recent valuation.

	Group		Merseytravel	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Balance at 1 April	12,081	3,882	12,056	3,857
Prior period adjustment		8,589		8,589
Revaluation and impairment charges not charged to the surplus/deficit on the provision of services	-250	-390	-441	-390
Difference between fair value depreciation and historical cost depreciation	0	0	0	0
Balance at 31 March	11,831	12,081	11,615	12,056

Subsidiary Undertakings

For subsidiary undertakings, the aggregated amounts for capital and reserves, as at 31 March 2015, were as follows:-

Group	2015 £000's	2014 £000's
Spaceport	-479	-234
U-534	5	-10
The Beatles Story	984	636
Real Time Information Group	-25	-27
The Global Smart Media Group	-912	-912
	-427	-547

23. Pension Costs

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 employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets. The Fund's actuary based on triennial actuarial valuations determines the contribution rate. The last valuation was carried out as at 1 April 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.

Transactions relating to retirement benefits

Merseytravel paid an employer's contribution of £7.338m (2014 - £5.363m) to the Pension Fund, representing 14.4% (2014 -14.4%) of pensionable pay.

The cost of retirement benefits in the net cost of services is recognised when the benefit is earned by an employee, rather than when the benefit is eventually paid as pension. The following transactions appear in the Income and Expenditure Account and Pension Reserve during the year:-

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

(i) Income and Expenditure statement

	2015 £000's	2014 £000's
Income and Expenditure Statement:		
<i>Net cost of services:</i>		
Current service cost	4,356	4,038
Past service cost/(gain)	38	0
Curtailments	58	346
Administration expenses	103	87
<i>Financing and Investment Income and Expenditure:</i>		
Interest cost		0
Expected return on scheme assets		0
Interest - assets	-9,604	-7,240
Interest - liabilities	12,610	10,011
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	7,561	7,242
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:-</i>		
Actuarial (gains)/losses	0	0
Remeasurements : Assets	-17,127	5,014
Remeasurements : Liabilities	0	0
Remeasurements : Liabilities Experience (gain)/loss	0	-1,717
Remeasurements : Liabilities (Gain)/Loss financial assumptions	40,358	-7,778
Remeasurements : Liabilities (Gain)/Loss demographic assumptions	0	1,159
<i>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>	23,231	-3,322
Movement in Reserves Statement:		
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	1,443
<i>Total Post Employment Benefits Charged in the year to the Movement in Reserves Statement</i>	-23,454	1,443
Summary of amounts charged to Reserves and Income and Expenditure Statement:		
Employer's contributions payable to the scheme	7,338	5,363
Retirement benefits payable to pensioners	13,232	11,033

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

23. Pension Costs (continued)

(ii) Reconciliation of present value of the scheme's liabilities and assets for both Merseytravel and Group

Liabilities	2015 £000's	2014 £000's
Benefit obligations at 1 April	239,452	243,288
Current service cost	4,356	4,038
Interest on pension liabilities	12,610	10,011
Member contributions	1,412	1,138
Past service cost/(gain)	38	0
Remeasurements (liabilities)	40,358	-8,336
Curtailments	58	346
Benefits/transfers paid	-13,232	-11,033
Business combinations	53,072	0
Benefit obligations at 31 March	338,124	239,452

Assets	2015 £000's	2014 £000's
Fair value of plan assets at 1 April	172,251	174,644
Business combinations	41,535	0
Actuarial (gains)/losses	0	0
Interest on plan assets	9,604	7,240
Remeasurements	17,127	-5,014
Admin expenses	-103	-87
Employer contributions	7,338	5,363
Member contributions	1,412	1,138
Benefits/transfers paid	-13,232	-11,033
Fair value of plan assets at 31 March	235,932	172,251

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 scheme assets for Merseytravel in the year was £26.7m (£8.5m for 2013/14)

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

23. Pension Costs (continued)

(iii) Scheme history

Merseytravel & Group	2010/11	2011/12	2012/13	2013/14	2014/15
	£000's	£000's	£000's	£000's	£000's
Present value of scheme liabilities	-188,002	-216,127	-243,288	-239,452	-338,124
Fair value of scheme assets	142,423	158,054	174,644	172,251	235,932
Surplus/deficit in the scheme	-45,579	-58,073	-68,644	-67,201	-102,192

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

(iv) Pension costs 2015/16

The total contributions budgeted to be made to the Merseyside Pension Scheme by Merseytravel in the year to 31 March 2016 are:

	£'000
14.4% of Pensionable pay (£20.6m)	2,966
Expected Employer Contribution	2,540
Unfunded element re Added Years	<u>789</u>
	<u>6,295</u>

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. 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:

	Group and Merseytravel			
	2014/15		2013/14	
	Expected Rate of Return on Assets	Split of Assets between Investment Categories	Expected Rate of Return on Assets	Split of Assets between Investment Categories
	%	%	%	%
Equity investments	6.5	54	7.0	61
Government bonds	2.2	18	3.4	16
Other bonds	2.9	0	4.3	4
Property	5.9	8	6.2	8
Cash/liquidity	0.5	3	0.5	2
Other	N/A	17	N/A	9
		100		100

*Dependent on type of asset

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

23. Pension Costs (continued)

(ii) Other assumptions

	Group		Merseytravel	
	2014/15	2013/14	2014/15	2013/14
Mortality assumptions:				
Longevity at 65 for current pensioners :				
Men (years)	22.4	22.3	22.4	22.3
Women (years)	25.3	25.2	25.3	25.2
Longevity at 65 for future pensioners :				
Men (years)	24.8	24.7	24.8	24.7
Women (years)	28.1	28.0	28.1	28.0
Rate of Inflation (CPI)	2.00%	2.40%	2.00%	2.40%
Rate of increase in salaries	3.50%	3.90%	3.50%	3.90%
Rate of increase in pensions	2.00%	2.40%	2.00%	2.40%
Rate for discounting scheme/liabilities	3.20%	4.40%	3.20%	4.40%
Take-up of option to convert annual pension into retirement lump sum	N/A	N/A	N/A	N/A

History of gains and losses – for both Executive and Group:

	2010/11		2011/12		2012/13		2013/14		2014/15	
	£000's	%	£000's	%	£000's	%	£000's	%	£000's	%
Differences between the expected and actual return on assets	-7870	(5.5)	-5863	(3.7)	11,426	7.4	N/A		N/A	
Changes in demographic and financial assumptions used to estimate scheme liabilities	10,021	5.3	-5777	(2.7)	-22967	(9.4)	N/A		N/A	
Total	2151		-11640		-11541		0		0	
Discount Rate		5.2		(1.1)		(2.0)				
Restated IAS 19	2010/11		2011/12		2012/13		2013/14		2014/15	
	£000's	%	£000's	%	£000's	%	£000's	%	£000's	%
Remeasurements - assets	N/A		N/A		12,879	7.4	-5,014	(2.9)	17,127	7.3
Remeasurements - liabilities	N/A		N/A		-22967	(9.4)	8336	3.4	-40358	(11.9)
Total	0		0		-10088		3322		-23231	(6.9)
Discount Rate						(2.0)		1.4		3.2

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

23. Pension Costs (continued)

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

Pension Fund sensitivity analysis as at 31 March 2015

	Central	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4
Merseytravel and Group		+0.1% pa discount rate	+0.1% inflation	+0.01% pay growth	1 yr increase life expectancy
	£000's	£000's	£000's	£000's	£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	5,220	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

Detailed asset breakdown as at 31 March 2015:

Merseytravel & Group						
Asset category	Sub-category	Quoted	31/3/2015	%	31/3/2014	%
			£000's		£000's	
Equities	UK Quoted	Y	56292	24	45532	26
	Global quoted	Y	71062	30	52448	30
Bonds	UK Government	Y	11797	5	7267	4
	UK Corporate	Y	6111	3	4545	3
	UK Index linked	Y	23027	10	16394	10
Property	UK Direct	N	13212	6	8410	5
	Property Managed - (UK quoted)	Y	779	0	1062	1
	Property Managed - (UK unquoted)	N	3138	1	2726	2
	Property Managed - (Global)	N	2359	1	1616	1
Alternatives	Private equity -(UK quoted)	Y	94	0	124	0
	Private equity -(UK unquoted)	N	7054	3	4428	3
	Private equity - (Global unquoted)	N	6465	3	4178	2
	Hedge funds - (UK quoted)	Y	590	0	487	0
	Hedge funds - (UK unquoted)	N	1274	1	7052	4
	Hedge funds - (Global unquoted)	N	7196	3	258	0
	Infrastructure - (Global quoted)	Y	637	0	522	0
	Infrastructure - (UK unquoted)	N	3303	1	1560	1
	Infrastructure - (Global unquoted)	N	1958	1	1368	1
	Opportunities - (UK quoted)	Y	4318	2	2513	1
	Opportunities - (UK unquoted)	N	4837	2	2402	1
	Opportunities - (Global quoted)	Y	708	0	1481	1
	Opportunities - (Global unquoted)	N	2572	1	1305	1
Cash	Cash instruments	Y	7149	3	4573	3
			235932	100	172251	100

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

24. Related party disclosures

The Group statements include the results of Merseytravel and its subsidiaries -see Note 13.

Merseytravel is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence Merseytravel or to be controlled or influenced by Merseytravel. As well as the group companies, the directors regard the following as related parties:

(a) Liverpool City Region Combined Authority (LCRCA)

Merseytravel is required by statute to implement and administer transport policies determined by the Authority, which means that the Authority is Merseytravel's parent and ultimate controlling party. The Authority provided Revenue grants and Capital grants as set out in note 17. The Revenue Grant funded by LCRCA's levy on the district councils in Merseyside to meet its own expenditure. Merseytravel's rail franchise payments and grants used to improve bus services in rural areas where there would be no commercial bus service provision, are financed through the LCRCA, which receives Special Rail Grants and Bus Grants from Central Government.

As explained in note 17, Group-banking arrangements with LCRCA are in place. At 31 March, the following balances were outstanding:

	2015	2014
	£000's	£000's
Short term deposits with MTA	27,100	21,700

Balances receivable 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.

(b) Directors and LCRCA members

The former Directors of MITA transferred via TUPE to Merseytravel with effect from 1 April 2014. Merseytravel met the Director's emoluments in full, whilst Member allowances were met in full by the LCRCA. Two Directors have a dual role as chief officers of both Merseytravel and the LCRCA. The Chief Executive/Director General and the Director of Resources are the only officers who hold statutory roles in both Merseytravel and the LCRCA. There were no other transactions with Directors and officers other than reimbursement of expenses.

(c) Directors of Subsidiary Companies

Certain Merseytravel directors are also directors to subsidiary companies, whose are consistent with the objectives of Merseytravel.

Remuneration made by Merseytravel for such roles is disclosed in note 6.

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

24. Related party disclosures (continued)

(d) Subsidiary Companies

The table below summarises the balances and transactions with subsidiary undertakings.

			2015	2014
			£000's	£000's
Loans from Executive to:				
GSM			0	0
ATL			438	438
Mersey Ferries Limited			1,148	696
Merseyside Passenger Transport Services Limited			1,012	1,008
The Beatles Story			0	-
Revenue support grant from Executive to:				
Mersey Ferries Limited			1,449	1,760
Merseyside Passenger Transport Services Limited			0	27
Contribution to Beatles Story operational costs			0	0

(e) Merseyside Pension Fund

Transactions and balances with Merseyside Pension Fund are set in note 23. For 2014/15 Merseytravel paid an employer's contribution equivalent to 14.4% of pensionable pay along with a fixed contribution of £2.56m into the Merseyside Pension Fund (2013/14 £1.55m).

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

25. Commitments

Capital Commitments

At 31 March 2015, Merseytravel was contractually committed to further works which amounted to approximately £7.4m (2013/14 £9.1m). Major contracts included the following schemes:-

	2015	2014
	£000's	£000's
	Budget	Budget
Highways grant	0	6,600
Electric charging	200	680
Ferry Terminal/Vessel Improvements	953	148
Clean bus fund	100	248
Wirral Park & Ride schemes	0	787
Formby rail station access	825	0
Newton le Willows	5,200	0
Other Schemes	165	665
Total Capital Commitments	7,443	9,128

Lease commitments

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

	Group		Merseytravel	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Operating leases commitments:				
Within 1 year	12,158	12,139	0	0
Within 2 to 5 years	33,435	45,379	0	0
Over 5 years	0	0	0	0

Merseytravel's subsidiary company MPTS has one operating lease for the operating rental of the Merseyrail Rolling Stock. This latter 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 Merseytravel would guarantee the lease payments to the lessor, Angel Trains, until a replacement franchise operator was appointed.

The existing lease with Angel Trains was due to expire in March 2015. However, this was extended until December 2018, and this extension has been included in the above table's financial commitment.

Merseytravel has no assets held under finance leases.

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

25. Commitments (continued)

Lessor Commitments

Merseytravel holds several operating leases with external parties, leasing out various properties under operating leases for the provision of community services, operational reasons and income generation. These include interchange sites and ferry terminals in the Merseyside area. These leases have remaining terms of between 5 and 23 years.

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

	Group		Merseytravel	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Operating leases which will expire:				
Within 1 year	594	645	40	39
Within 2 to 5 years	2,322	2,569	145	147
Over 5 years	7,015	9,371	68	292

Departure/facility fees charged to bus operators for the use of bus stations are not included in the above table. For 2014/15 Merseytravel received £1,104k (2013/14 £1,068k) for these fees, which are included within Note 4 (Segmental reporting) "Other Services - fees, charges and service income".

26. Post balance sheet events

Merseytravel has considered events from the date of the Balance Sheet up to the time of the authorisation of the Statement of Accounts.

27. Cash flow

(a) Reconciliation of net cash flow to movement in net debt

	Group		Merseytravel	
	2014/15	2013/14	2014/15	2013/14
	£000's	£000's	£000's	£000's
Increase/(decrease) in cash at 31 March	10,514	8,799	10,494	9,213
Cash used to manage liquid resources	0	0	0	
Change in net Funds	10,514	8,799	10,494	9,213
Net funds brought forward at 1 April	35,909	27,110	35,782	26,569
Net funds carried forward at 31 March	46,423	35,909	46,276	35,782
Represented by:-				
Cash in hand (including Petty Cash)	46,423	35,909	46,276	35,782

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

27. Cash flow (continued)

(b) Analysis of the balances of cash and cash equivalents

2014/15			Group	2013/14		
Opening	Closing	Movement		Opening	Closing	Movement
Balance	Balance	During		Balance	Balance	Year
£000's	£000's	Year		£000's	£000's	Year
35,874	46,386	10,512	Cash in hand	27,071	35,874	8,803
35	37	2	Petty Cash	39	35	(4)
35,909	46,423	10,514		27,110	35,909	8,799

2014/15			Merseytravel	2013/14		
Opening	Closing	Movement		Opening	Closing	Movement
Balance	Balance	During		Balance	Balance	Year
£000's	£000's	Year		£000's	£000's	Year
35,765	46,259	10,494	Cash in hand	26,550	35,765	9,215
17	17	0	Petty Cash	19	17	(2)
35,782	46,276	10,494		26,569	35,782	9,213

MERSEYTRAVEL 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 31st 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 issues

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 Council for goods and services received but not paid for as at 31st March.

DEBTORS

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31st March.

MERSEYTRAVEL

GLOSSARY OF FINANCIAL TERMS

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 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. They arise principally from mortgages on sales of council houses, which form the main part of mortgages under loans for purchase and improvement of property.

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 Council, 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 Council and the services it provides for a period of more than one year.

GENERAL FUND

The account to which the cost of providing the Council Services is charged that are paid for from Council Tax and Government Grants (excluding the Housing Revenue Account).

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.

MERSEYTRAVEL

GLOSSARY OF FINANCIAL TERMS

NET BOOK VALUE

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

NET REALISABLE VALUE

The 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 Councils 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

MERSEYTRAVEL

GLOSSARY OF FINANCIAL TERMS

- 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.

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 Council 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.

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

**MERSEYTRAVEL
NOTES TO THE ACCOUNTS**

Glossary of Acronyms used in these Accounts

ATL	Accrington Technologies Ltd
BSOG	Bus Services Operator Grant
CIES	Comprehensive Income & Expenditure statements
CIPFA	Chartered Institute of Public Finance Accountants
CODE	CIFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom
CPI	Consumer Prices Index
DfT	Department for Transport
GSM	Global Smart Media Ltd
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
IT	Information Technology
ITSO	Integrated Transport Smartcard Organisation
LCRCA	Liverpool City Region Combined Authority
LGPS	Local Government Pension scheme
LSTF	Local Sustainable Transport Fund
LTP	Local Transport Plan
MEL	Merseyrail Electrics Ltd
MITA	Merseyside Integrated Transport Authority
MFL	Mersey Ferries Ltd
MPTE	Merseyside Passenger Transport Executive
MPTS	Merseyside Passenger Transport Services Ltd
MRP	Minimum Repayment of Principal
OLR	Operator of Last Resort
OTOF	One Team, One Family (Organisation Development Initiative)
PTEG	Passenger Transport Executives Group
PWLB	Public Works Loan Board
RPI	Retail Prices Index
SERCOP	Service Reporting Code of Practice
SNR	Serco Ned Rail
SOLACE	Society of Local Authority Chief Executives
TBS	The Beatles Story
TUPE	Transfer of Undertakings (Protection of Employment)
TWA	Transport and Works Act
VFM	Value For Money