Merseyside Passenger Transport Executive

Statement of Accounts
For the year ended 31 March 2014

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MERSEYSIDE PASSENGER TRANSPORT EXECUTIVE (PTE)
EXPLANATORY FOREWORD TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014

Introduction

Merseyside Passenger Transport Executive (MPTE) is a body corporate under the Transport Act 1968 and operates under the trading name of Merseytravel. It acts as the executive arm of Merseyside Integrated Transport Authority (MITA). It receives funding from the MITA in the form of grants, both revenue and capital, to fund its net expenditure, in order to carry out the functions that the MITA sets.

The original approved budget for MPTE showed net spending of £104.4m funded by a grant of £104.4m from MITA. At revised budget time, budget Management had produced savings to forecast a net spend of £102.0m. This was to be fully funded by a reduced grant from the MITA of £102.0m.The out turn position showed savings across most service areas, which were used in part to reduce the grant required from MITA to £100.3m.

This set of accounts reflects the financial position of the MPTE at 31 March 2014.These accounts inform the structure and strategy of the rolling three-year Medium Term Financial Strategy (MTF) for the organisation. The MTF helps shape the policy, procurement and contracting decisions taken by the Executive and the Integrated Transport Authority.

The Medium Term Financial Strategy had identified the need to ensure that the ITA and Executive 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 as to the determining of reserve categories. Where reserves are earmarked this is done to ensure that the Executive 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 CIES or transferred to other earmarked reserves should the need arise. The Executive Rolling Stock reserve was used to great effect during 2012/13 and 2013/14 to ensure no costs fell against the ITA grant from the Levy. The Capital reserve has also been used to great effect since 2010/11 to offset the 25% reduction in the Integrated Transport Block Grant imposed through Government cuts.

The Accounts

The Executive and its Group accounts for the year ended 31 March 2014 are set out on pages 19 to 64. They consist of-

(a) Comprehensive Income and Expenditure Statement (CIES) - the Executive's main revenue account covering income and expenditure on all Executive services. This is an abbreviated version of the Executives performance for 2013/14 in line with the code. Further analysis is set out in Note 4.This segmental analysis follows the budgeting and resource allocation units that the Executive uses to manage its day-to-day activities. The 2012/13 statements now include a Restated column to show the impact of IAS 19 adjustments re Pensions;

(b) Balance Sheet - which sets out the financial position of the Executive on 31 March 2014;

(c) Movement in reserves statements for 2013/14 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, comprising 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.

Principal activities

The principal activities of the Executive 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 the Executive and the Group (comprising the Executive, 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 £6.5m (2012/13 £2.1m).The PTE CIES shows a surplus for 2013/14 of £6.0m (2012/13 £2.1m).The consolidated useable and unusable reserves of the Executive at the year-end were £92.5m (2012/13 £82.7m).

During 2013/14, the Group net cost of services was £105.5m (2012/13 £106.5m) and the PTE net cost of service was £106.4m (2012/13 £106.5m) as analysed on pages 17-18.

The Group CIES (page 19) and notes show that gross expenditure of £303.2m (£288.7m 2012/13). This was offset in part by supported bus fares shown as bus services £10.5m (£9.1m 2012/13), sales of prepaid tickets £26.7m (£26.5m 2012/13), MITA grant £100.3m (£100.9m 2012/13) and Special Rail Grant £98.6m (£89.2m 2012/13).

	Passenger Journeys	
	2013/14	**2012/13**
Supported bus	11.6m	12.2m
Rail Passengers	41.1m	39.0m
Special Needs Travel	0.1m	0.1m
Bus Infrastructure supporting both supported and commercial bus	136.5m	136.2m
Concessionary and Pre-paid travel (Bus & Rail)	122.5m	116.9m

Capital invested during the year by the PTE totalled £13.2m (£13.1m 2012/13 see Note11). This included £3.3m support to the District councils in the form of a capital grant for highway improvements, £2.0m access improvements to Birkenhead North station, £1.6m Better bus improvements (DFT grant funded), £0.9m ICT developments, £0.8m improvements to Ferry terminals and vessels, and further improvements to the bus/rail network of £2.7m in support of LTP objectives.

This Capital outlay was financed by a capital grant from the Authority £12.9m (2012/13 £8.9m) and other Executive funding resources £0.3m (2012/13 £4.2m).

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

	Group		**PTE**	
	2014	**2013**	**2014**	**2013**
	£000's	**£000's**	**£000's**	**£000's**
Capital Reserve	5,423	3,553	5,423	3,553
Working Balances	2,353	1,561	1,739	1,739
Various Usable Reserves	46,353	40,079	46,518	40,243
Unusable Reserves:				
Pensions Reserve*	(67,201)	(68,644)	(67,201)	(68,644)
Revaluation Reserve	3,492	3,882	3,467	3,857
Deferred Capital Grants	101,984	102,260	101,984	102,260
	92,404	82,691	91,930	83,008

*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 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.

Grants

The Executive's net expenditure, after taking into account all other sources of income and expenditure, is financed primarily by way of Revenue Grant from the Merseyside Integrated Transport Authority (MITA).

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

MITA Capital Grants are received and utilised in respect of approved expenditure on capital schemes.

The grants receivable by the Executive from MITA were as follows:

	2014	**2013**
	£000's	**£000's**
Revenue Grants from MITA Received/Applied	100,300	100,863
Special Rail Grants	98,610	89,209
European grants	105	262
DFT- LSTF revenue grants	1,006	403
Capital Grants (from MITA) Received/Applied	12,910	8,900
	212,931	199,637

Principal Risks and Uncertainties

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

(i) Compliance Risk

If Merseytravel has to utilise scarce reserves and working balances in order to mitigate against over-spending or shortfalls in revenue generation, then there is the risk of failing to achieve the Executives 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 the PTE 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, as the country is now suffering, will 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

Future Developments

Government funding cuts to the capital programme have focused the available resources on completing current commitments. Regarding future developments, the following are planned, however, timing and priority will be dependent upon Government support for LTP4. In addition, bids will continue to be submitted to Government for grant funding for specific schemes. Prioritisation of new starts will be dependent upon the level of extra resources the PTE and the Combined Authority can attract, together with the availability of existing resources. The PTE as the executive arm of the Combined Authority for the delivery of capital projects may benefit from these funds should any of the major scheme bids be successful. Currently the 2014/15 capital programme includes the following planned developments:

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
- Development proposals to extend the network initially to Headbolt Lane, Kirkby and Wrexham;
- Develop proposals to reopen the Halton Curve to introduce a service between Lime Street, Liverpool South Parkway, Runcorn and Chester, and development proposals to replace the existing rolling stock.

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 2013/14 by the Executive.

Trade Payables

The Executive 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 96.1% of undisputed creditors paid within 30 days during the year 2012/13.

Members of the Executive

The Directors of the Executive 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 (appointed 27/5/13)
E Chandler	Director of Corporate Development
F Rogers	Director of Customer Services
J Fogarty	Director of Resources (appointed 1/4/13)

The Executive is a statutory body created by the Transport Act 1968 and does not have any share capital in its own right. The Executive 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.

MERSEYSIDE PASSENGER TRANSPORT EXECUTIVE
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2014

The Executive's Responsibilities

The Executive 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 Executive, 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 Executive'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 the Executive at the accounting date and its income and expenditure for the year end 31 March 2014.

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 Merseyside Passenger Transport Executive as at 31 March 2014 and its income and expenditure for the year ended 31 March 2014. The Statement of Accounts was authorised for issue by the Director of Resources on 30 September 2014. Events taking place after the Balance Sheet date have been considered up to the date of issue.

J Fogarty
Director of Resources

Scope of responsibility

The Merseyside Integrated Transport Executive (the Executive) was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively during 2013/14.

The Merseyside Integrated Transport Authority ceased to exist on 31st March 2014 and its responsibilities were transferred to the Liverpool City Region Combined Authority. As a result, this annual governance statement represents the position during the final year of account for the Merseyside Integrated Transport Authority.

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

- The Transport Act 1968
- The County of Merseyside Act 1980
- The Mersey Tunnels Act 2004
- The Transport Act 1983
- The Transport Act 1985
- The Transport Act 2000
- The Railways Act 2005
- EU Regulation on Public Passenger Transport Services by Rail and By Road (1370/2007)
- The Local Government Finance Act 1972
- The Local Government Act 1999

Many of the functions of The Authority were discharged by Merseyside Passenger Transport Executive (the Executive), which is a separate statutory body that is controlled by, and was accountable to The Authority. The Executive will continue beyond 2013/14 and will be accountable to the Combined Authority.

The Executive is subject to its own annual Statement of Accounts, however its governance framework reflects that of the Authority and as such, issues relating to the Executive are considered within this governance statement where appropriate.

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

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

The Executive 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 the Executive's constitution and other policies related to the governance framework is published through our website at www.merseytravel.gov.uk .

The constitutional framework was fundamentally reviewed during 2013/14 in order to improve governance.

This statement explains how the Executive complied with the code and also met the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Executive was directed and controlled in its activities. It was the mechanism through which it was accountable to, engaged with and led its stakeholders. It enabled the Executive to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate services and value for money.

The system of internal control was a significant part of that framework and was 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 Merseyside Passenger Transport Executive were intended to provide a reasonable - but not absolute - assurance of effectiveness.

The system of internal control was based on an on-going process designed to identify and prioritise the risks to the achievement of the Executive's policies, aims and objectives. It also sought 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 Executive for the year ended 31 March 2014 changed significantly during the year. Significant improvements were made during 2013/14 including the establishment of an Audit and Governance Committee of Merseyside Integrated Transport Authority within a fundamental review of the organisation's constitutional framework.

The governance framework

The governance framework itself was based around the organisation's Corporate Plan. This document established the key priorities for the Executive and was determined following consultation with passengers and other key stakeholders within Merseyside and beyond.

The Corporate Plan for 2013/14 set the template for all of the organisation's activities and represented the articulation of its priorities and values.

The Corporate Plan 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 and the organisation maintained a training and development programme linked to corporate priorities. That included both officers and elected members.

The Executive revised its procedure rules, standing orders, scheme of delegation and financial regulations during 2013/14. These revisions improved and clarified how decisions were taken and where authority lies. The revised constitution also better reflected the organisation's ethical standards.

There were three statutory officers with legal responsibilities for assurance and governance. These were the Head of Paid Service (Chief Executive), the Chief Financial Officer (Director of Resources) and the Monitoring Officer (Head of Legal and Member Services).

Both the Head of Paid Service and the Chief Financial Officer were new appointments in 2013/14. In addition to these appointments, the Executive also appointed a new Head of Internal Audit during 2013/14 to complete its governance team.

The Chief Financial Officer was the designated Section 151 Officer and complies with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Further assurance was provided through the maintenance of an Internal Audit function. Internal Audit reviewed the internal control framework across the organisation, based on a formal risk assessment, and presented recommendations where internal control weaknesses were identified. The work of our external auditors is also a key element of the assurance framework.

The effectiveness of the Internal Audit service was greatly improved during 2013/14 through the establishment of an Audit and Governance Committee.

The organisation also maintained 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 also reviewed during 2013/14.

Review of the effectiveness of the governance framework

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

Well-publicised concerns raised from a number of sources prompted the Merseyside Integrated Transport Authority to seek a formal Peer Review of its and the Executive's governance arrangements in the summer of 2012. This was conducted by a team of senior professionals from the five Merseyside District Councils, and was led by the Chief Executives of Liverpool City Council and St Helens Council.

The Peer Review highlighted some significant governance concerns and presented the Authority and Executive with a detailed action plan to assist the organisation in improving its arrangements. This action plan was accepted in full and its contents were incorporated in the Annual Governance Statement for 2012/13 and corresponding improvement plan.

The 2012/13 Annual Governance Statement identified a number of key areas for improvement and addressing these has been a key corporate priority in 2013/14.

Changes to the constitution, and the establishment of a transparent electronic decision making system for delegated decisions addressed the concerns raised regarding **the effectiveness of decision making** processes highlighted in the 2012/13 accounts.

Risk Management arrangements were identified as an outstanding governance issue in the 2012/13 accounts. The Executive's risk management arrangements have been significantly improved. The Corporate Risk Register was fundamentally changed in 2013/14 to more accurately and openly reflect the organisation's key risks. These changes, undertaken at the highest level and overseen by the new **Audit and Governance Committee** who are now becoming more active in seeking assurance in respect of the risk management framework. The PTE itself does not have an Audit committee, but its activities form part of the work that the Audit and Governance committee oversees.

Internal Audit was also highlighted as an area for improvement in the 2012/13 accounts and significant improvements have been made in this area. The service benefitted from a much higher profile in 2013/14 than was previously the case, and systems and procedures were established to underline the statutory responsibilities and unambiguous rights of access for the Internal Audit service.

The effectiveness of Internal Audit was also greatly strengthened by the establishment of an Audit and Governance Committee and the appointment, late in the year, of a new Chief Internal Auditor.

The 2012/13 Annual Governance Statement identified **Performance Management** as a significant governance issue and this has been an area of significant improvement in 2013/14. The Corporate Plan is a more robust and focussed document and performance reporting is now linked to financial reporting.

The Executive also greatly improved the Performance Management Framework in 2013/14 through the establishment of a formal Merseyside Integrated Authority's **Scrutiny** function which oversees our own performance, and that of our key commercial partners as part of its terms of reference.

As a result, the governance framework that was in place on 31st March 2014 was much more robust 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 2013/14 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, were 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.

Significant governance issues

Value for Money

A number of high-profile issues came to light in the 2012/13 period of account where the organisation had failed in its duty to secure value for money for the taxpayer. There were no such issues identified in 2013/14 and improvements to the overall governance framework and the transparency of decision-making ensured that value for money was a consideration in all decisions made in 2013/14.

That said, the organisation retains a financial legacy from a number of decisions taken in previous years that continue to have an impact on financial performance.

The most notable of these is the cost of the Mann Island office accommodation, where Merseytravel is the primary tenant despite only occupying around 28% of the building.

Significant efforts have been made in 2013/14 to secure additional tenants and the organisation has been successful in letting a further floor to an external tenant. The facilities in Mann Island are now also being used as a regional resource.

A number of efficiency measures in 2013/14, including better procurement enabled the organisation to identify £8m savings in the year. This in turn, enabled the organisation freeze the transport levy requirement for 2014/15 for the fourth successive year.

That said, anticipated fiscal tightening in the period to come will mean that Merseytravel and the Merseytravel Committee of the Liverpool City Region Combined Authority will need to focus increasingly on achieving value for money in order to deliver its core transport objectives within the context of decreasing resources.

Contract Monitoring

As a result of concerns raised by Internal Audit in 2012/13, the organisation commissioned a review of its relationship with its rail franchise holder, Merseyrail Electrics. This review highlighted a number of concerns regarding the effectiveness of our contract monitoring arrangements which were each addressed during 2013/14.

It should be noted that these concerns related to our arrangements rather than any particular event of failure on the part of the franchise holder. The Merseyrail Franchise continued to perform strongly in 2013/14 both operationally and financially.
A further concern raised by this review is related to risk, and our ability to step in and act as the operator of last resort should the franchise fail in any way. While this risk remains low in terms of likelihood, we have taken steps to formalise these arrangements, and to establish a financial reserve sufficient to sustain the operation of the railway should the train operator cease to fulfil its obligations.

Internal Audit

Whilst our Internal Audit arrangements were greatly strengthened in 2013/14 there remained some outstanding areas for improvement at year-end. These are detailed in the Head of Internal Audit's Annual Report and form the focus priorities for the section in the coming year.

During 2013/14, the organisation commissioned an external IT Audit provider to undertake a comprehensive IT Governance and Audit Needs Assessment, which will inform the 2014/15 IT Audit Plan. This engagement will not only enable effective, specialist IT audit delivery during the year, but also ensure that robust information governance arrangements are embedded and provide assurance that statutory obligations are being met in respect of information management and security.

The Public Sector Internal Audit Standards (PSIAS) came into effect from April 2013 and have superseded the *2006 CIPFA Code of Practice for Internal Audit in the United Kingdom.* Compliance with these Standards is mandatory. Any areas that require action or improvement that have been identified through self-assessment will be addressed, in order that the organisation can demonstrate that it is compliant with the Standards and the associated Code of Ethics and Quality Assurance and Improvement Programme.

SUMMARY

2013/14 was a pivotal year for the Executive, with significant changes in both in the committee structure of the Authority and in the management and leadership of the organisation. It was a year in which some significant value for money issues forced the organisation to examine its overall governance framework.

An honest, impartial appraisal of the governance framework was conducted on our behalf by colleagues from within the Merseyside group of local authorities. The organisation subjected itself to this Peer Review in order to identify and redress the governance issues that led to the organisation incurring significant costs through a number of ventures in previous years.

The Audit and Governance Committee will now act as the body charged with governance and will oversee the effectiveness of the governance framework and the changes that have been made in 2013/14. The Authority now also has a Scrutiny Committee to provide effective challenge particularly around value for money and the effectiveness of service delivery.

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

Signed: _ ____

David Brown: Director General, Merseyside Passenger Transport Executive

Independent Auditor's Report to the Directors of Merseyside Passenger Transport Executive

We have audited the financial statements of Merseyside Passenger Transport Executive for the year ended 31 March 2014 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 2013/14.

This report is made solely to the Directors of the Passenger Transport Executive, 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 the Passenger Transport Executive, 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 the Passenger Transport Executive, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of the Accounting Officer's Responsibilities, the Accounting Officer 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 2013/14, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Passenger Transport Executive and the Group as at 31 March 2014 and of the Passenger Transport Executive'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 2013/14.

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:

Independent Auditor's Report to the Directors of Merseyside Passenger Transport Executive - continued

- the annual governance statement set out on pages 10 to 14 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
- any matters have been reported in the public interest under section 8 of the Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

Other matters on which we are required to conclude

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Passenger Transport Executive 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 2013, we have considered the results of the following:

- our review of the annual governance statement; and
- locally determined risk-based work on your response to the governance issues that came to light in 2012/13.

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 Merseyside Passenger Transport Executive in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Graham Prentice

For, and on behalf of, KPMG LLP Statutory Auditor
Chartered Accountants
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25 September 2014

MERSEYSIDE PASSENGER TRANSPORT EXECUTIVE
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

The Group and Comprehensive Income and Expenditure Statement (CIES), show the costs of the Executive'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 ITA using various statutory powers. However, the cost falls upon the Executive.

In addition, these tables summarise the key sources of income and financial support the Executive receives. Crucial to this are the Special Rail Grant that funds local rail services and the Revenue Support Grant from the ITA. This grant is approved by the ITA at its February budget meeting and is the maximum and permitted level of grant the Executive can spend. The ITA grant is a product of its levy on the five District Councils, and is the net sum after those costs borne by the ITA 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. The Executive 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:

2012/13			Restated		2013/14			
Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure	GROUP	Gross Expenditure	Gross Income	Net Expenditure	Note No.
£000's	£000's	£000's	£000's		£000's	£000's	£000's	
254814	158879	95935	96012	Highways & Transport Services	265722	172552	93170	4
10589	0	10589	10661	Non distributed costs*	12353	0	12353	4
265403	**158879**	**106524**	**106673**	**Cost of Services**	**278075**	**172552**	**105523**	4
10444	9031	1413	2717	Financing & Investment income and expenditure	3079	239	2840	4
0	110025	-110025	-110025	Taxation & non specific grant income	0	114754	-114754	4
275847	**277935**	**-2088**	**-635**	**(Surplus)/deficit on Provision of Services**	**281154**	**287545**	**-6391**	4
1294	0	1294	1294	Impairment of investments			0	4
11541		11541	0	Actuarial (gains)/losses assets/liabilities				4
0	0	0	10088	Remeasurements (liabilities/assets)	0	3322	-3322	4
12835	**0**	**12835**	**11382**	**Other comprehensive income & expenditure**	**0**	**3322**	**-3322**	4
288682	**277935**	**10747**	**10747**	**Total Comprehensive Income & Expenditure**	**281154**	**290867**	**-9713**	
				(Surplus)/deficit attributable to:				
		10747	10747	MPTE			-9713	
		0	0	Minority interests			0	
		10747	**10747**	**Total (Surplus)/deficit**			**-9713**	

The restated column for 2012/13 restates the CIES after incorporation of the changes introduced by the adoption of IAS 19 re Pensions. For further details regarding the Executive'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.

2012/13			Restated	MPTE	2013/14			
Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Note No.
£000's	£000's	£000's			£000's	£000's	£000's	
239718	143798	95920	95997	Highways & Transport Services	249632	155575	94057	4
10589	0	10589	10661	Non distributed costs *	12353	0	12353	
250307	143798	106509	106658	**Cost of Services**	261985	155575	106410	
10641	9228	1413	2717	Financing & Investment income and expenditure	2983	239	2744	
0	110025	-110025	-110025	Taxation & non specific grant income	0	114754	-114754	
260948	**263051**	**-2103**	**-650**	**(Surplus)/Deficit on Provision of Services**	**264968**	**270568**	**-5600**	
11541	0	11541		Actuarial (gains)/losses assets/liabilities				
	0	0	10088	Remeasurements (liabilities/assets)	0	3322	-3322	
11541	**0**	**11541**	**10088**	**Other comprehensive income & expenditure**	**0**	**3322**	**-3322**	
272489	**263051**	**9438**	**9438**	**Total comprehensive income & expenditure**	**264968**	**273890**	**-8922**	

The restated column for 2012/13 restates the CIES after incorporation of the changes introduced by the adoption of IAS 19 re Pensions. For further details regarding the Executives 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.

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Executive. The net assets of the Executive (assets less liabilities) are matched by the reserves held by the Executive. 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 the Executive 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.

MERSEYSIDE PASSENGER TRANSPORT EXECUTIVE
BALANCE SHEET AS AT 31 MARCH 2014

As at 31/03/2013 Group £000's	As at 31/03/2013 Executive £000's		As at 31/03/2014 Group £000's	As at 31/03/2014 Executive £000's	Note No.
		NON-CURRENT ASSETS			
		Property, Plant & Equipment			
77916	77916	Infrastructure Assets	76538	76538	
645	0	Leasehold Property	614	0	
19206	18515	Plant & Machinery	19740	19164	
8058	8058	Vessels	8124	8124	
16	16	Ancillary Vehicles	14	14	
893	893	Assets Under Construction	893	893	
519	519	Surplus Assets	519	519	
107253	105917	**Total Property, Plant & Equipment**	106442	105252	9,25
385	0	**Heritage assets**	385	0	10
1695	0	**Intangible Assets**	1695	0	12
0	0	**Long Term Investments**	0	0	13
818	4726	**Long Term Debtors**	798	4457	16(b)
110151	110643	**TOTAL NON-CURRENT ASSETS**	109320	109709	
		CURRENT ASSETS			
0	0	Assets Held for Sale	0	0	14
458	27	Inventories	415	54	15
44726	44195	Short term Debtors	41677	41410	16(a)
27110	26569	Cash and cash equivalents	35909	35782	17,27
72294	70791	**TOTAL CURRENT ASSETS**	78001	77246	
182445	181434	**TOTAL ASSETS**	187321	186955	
		CURRENT LIABILITIES			
-122	-122	Loans from ITA	-128	-128	21
-24081	-23071	Short Term Creditors & Deferred Revenue	-21003	-21408	18
-239	-184	Provisions	-561	-516	19
-24442	-23377	**TOTAL CURRENT LIABILITIES**	-21692	-22052	
47852	47414	**NET CURRENT ASSETS**	56309	55194	
		LONG TERM LIABILITIES			
-3954	-3786	Internal loans due after one year	-3825	-3657	
-2709	-2619	Provisions	-2193	-2115	19
-68644	-68644	Pension Liability	-67201	-67201	23
-7	0	Other Long Term Liabilities	-8	0	
-75314	-75049	**TOTAL NON CURRENT LIABILITIES**	-73227	-72973	
82689	83008	**NET ASSETS**	92402	91930	
		FUNDS BALANCES & RESERVES			
45193	45535	Useable Reserves	54129	53680	22
37498	37473	Unusable Reserves	38275	38250	22
-2		Minority Interest	-2	0	
82689	83008	**TOTAL RESERVES**	92402	91930	

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

J Fogarty
Director of Resources

MERSEYSIDE PASSENGER TRANSPORT EXECUTIVE
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

The following statements show the movement in the year of the different reserves held by the Executive, 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 the Executives services, more details of which are shown in the Comprehensive Income and Expenditure statement. This is different from the statutory amounts 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 the Executive.

Group 2012/13	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 2012	**581**	**43445**	**44026**	**-58073**	**5385**	**102887**	**50199**	**-789**	**93436**
Movement in Reserves during 2012/13:									
Surplus on the provision of services	635	0	635	0	0	0	0	0	**635**
Impairment of investments	-1294		-1294	0	0	0	0	0	**-1294**
Remeasurements (liabilites & assets)	0	0	0	-10088	0	0	-10088	0	**-10088**
Total comprehensive income & expenditure	**-659**	0	**-659**	-10088	0	0	**-10088**	**0**	**-10747**
Pensions charged to CIES - See note 23	6026	0	6026	-6026	0	0	-6026	0	0
Employer's pension contribution	-5543	0	-5543	5543	0	0	5543	0	0
Capital grants applied MITA re PPE	0	-5230	-5230	0	0	5230	5230	0	0
Release from reserves re depreciation/Impairment	5560	0	5560	0	-1503	-4057	-5560	0	0
Assets held for sale	0	1800	1800	0	0	-1800	-1800	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	**6043**	**-3430**	**2613**	**-483**	**-1503**	**-627**	**-2613**	**0**	**0**
Net increase/(decrease) before transfers to earmarked funds	**5384**	**-3430**	**1954**	**-10571**	**-1503**	**-627**	**-12701**	**0**	**-10747**
Transfers to/from earmarked funds									
Grants received MITA	-8900	8900	0	0	0	0	0	0	0
Grants received EU	-262	262	0	0	0	0	0	0	0
Grants applied MITA revenue from capital	7875	-7875	0	0	0	0	0	0	0
Grants applied re EU	211	-211	0	0	0	0	0	0	0
Transfers to earmarked reserves	-2770	1983	-787	0	0	0	0	787	0
Total transfers to earmarked funds	-3846	3059	-787	0	0	0	0	787	0
Increase/Decrease in year	**1538**	**-371**	**1167**	**-10571**	**-1503**	**-627**	-12701	**787**	**-10747**
Balance 31 March 2013 carried forward	**2119**	**43074**	**45193**	**-68644**	**3882**	**102260**	**37498**	**-2**	**82689**

MERSEYSIDE PASSENGER TRANSPORT EXECUTIVE
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

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	2119	43074	45193	-68644	3882	102260	37498	-2	82689
Movement in Reserves during 2013/14:									
Surplus on the provision of services	6391	0	6391	0	0	0	0	0	6391
Impairment of investments	0	0	0	0	0	0	0	0	0
Remeasurements (liabilites & assets)	0	0	0	3322	0	0	3322	0	3322
Total comprehensive income & expenditure	**6391**	**0**	**6391**	**3322**	**0**	**0**	**3322**	**0**	**9713**
Pensions charged to CIES - See note 23	7242	0	7242	-7242	0	0	-7242	0	0
Employer's pension contribution	-5363	0	-5363	5363	0	0	5363	0	0
Grants applied MITA re PPE	0	-4270	-4270	0	0	4270	4270	0	0
Release from reserves for depreciation/impairment/revaluation	4936	0	4936	0	-390	-4546	-4936	0	0
Disposal of assets held for sale	0	0	0	0	0	0	0	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	**6815**	**-4270**	**2545**	**-1879**	**-390**	**-276**	**-2545**		**0**
Net increase/(decrease) before transfers to earmarked funds	**13206**	**-4270**	**8936**	**1443**	**-390**	**-276**	**777**	**0**	**9713**
Transfers to/from earmarked funds									
Grants received MITA	-12910	12910	0	0	0	0	0	0	0
Grants received EU		0	0	0	0	0	0	0	0
Grants applied MITA revenue from capital	9137	-9137	0	0	0	0	0	0	0
Grants applied re EU			0	0	0	0	0	0	0
Transfers to/from earmarked reserves	-9199	9199	0	0	0	0	0	0	0
Total transfers to earmarked funds	**-12972**	**12972**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net Increase/Decrease in year	**234**	**8702**	**8936**	**1443**	**-390**	**-276**	**777**	**0**	**9713**
Balance 31 March 2014 carried forward	**2353**	**51776**	**54129**	**-67201**	**3492**	**101984**	**38275**	**-2**	**92402**

MERSEYSIDE PASSENGER TRANSPORT EXECUTIVE
MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

MPTE 2012/13	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 2012	**1739**	**40533**	**42272**	**-58073**	**5360**	**102887**	**50174**	**92446**
Movement in Reserves during 2012/13:								
Surplus on the provision of services	650	0	**650**	0	0	0	0	**650**
Remeasurements (liabilites & assets)	0	0	**0**	-10088	0	0	**-10088**	**-10088**
Total comprehensive income & expenditure	**650**	**0**	**650**	**-10088**	**0**	**0**	**-10088**	**-9438**
Pensions charged to CIES - See note 23	6026	0	6026	-6026	0	0	-6026	0
Employer's pension contribution	-5543	0	-5543	5543	0	0	5543	0
Capital grants applied MITA re PPE	0	-5230	-5230	0	0	5230	5230	0
Release from reserves for depreciation/Impairment	5560	0	5560	0	-1503	-4057	-5560	0
Assets held for sale	0	1800	1800	0	0	-1800	-1800	0
Transfer to reserve	0	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	**6043**	**-3430**	**2613**	**-483**	**-1503**	**-627**	**-2613**	**0**
Net increase/(decrease) before transfers to earmarked funds	**6693**	**-3430**	**3263**	**-10571**	**-1503**	**-627**	**-12701**	**-9438**
Transfers to/from earmarked funds								
Capital grants received MITA	-8900	8900	0	0	0	0	0	0
Capital grants received EU	0	0	0	0	0	0	0	0
Grants applied MITA revenue from capital	7875	-7875	0	0	0	0	0	0
Grants applied re EU	0	0	0	0	0	0	0	0
Transfers to earmarked reserves	-5668	5668	0	0	0	0	0	0
Total transfers to earmarked funds	**-6693**	**6693**	**0**	**0**	**0**	**0**	**0**	**0**
Net Increase/Decrease in year	**0**	**3263**	**3263**	**-10571**	**-1503**	**-627**	**-12701**	**-9438**
Balance 31 March 2013 carried forward	**1739**	**43796**	**45535**	**-68644**	**3857**	**102260**	**37473**	**83008**

MPTE 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 1st April 2013	**1739**	**43796**	**45535**	**-68644**	**3857**	**102260**	**37473**	**83008**
Movement in Reserves during 2013/14:								
Surplus on the provision of services	5600	0	**5600**	0	0	0	**0**	**5600**
Remeasurements (liabilites & assets)	0	0	**0**	3322	0	0	**3322**	**3322**
Total comprehensive income & expenditure	**5600**	**0**	**5600**	**3322**	**0**	**0**	**3322**	**8922**
			0					
Pensions charged to CIES - See note 23	7242	0	7242	-7242	0	0	-7242	0
Employer's pension contribution	-5363	0	-5363	5363	0	0	5363	0
Grants applied MITA re PPE	0	-4270	-4270	0	0	4270	4270	0
Release from reserves for depreciation/Impairment/revaluation	4936	0	4936	0	-390	-4546	-4936	0
Disposal of assets held for sale	0	0	0	0	0	0	0	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	**6815**	**-4270**	**2545**	**-1879**	**-390**	**-276**	**-2545**	**0**
Net increase/(decrease) before transfers to earmarked funds	**12415**	**-4270**	**8145**	**1443**	**-390**	**-276**	**777**	**8922**
Transfers to/from earmarked funds								
Grants received MITA	-12910	12910	0	0	0	0	0	0
Grants applied MITA revenue from capital	9137	-9137	0	0	0	0	0	0
Transfers to earmarked reserves	-8642	8642	0	0	0	0	0	0
Total transfers to earmarked funds	-12415	12415	0	0	0	0	0	0
Net Increase/Decrease in year	**0**	**8145**	**8145**	**1443**	**-390**	**-276**	**777**	**8922**
Balance 31 March 2014 carried forward	**1739**	**51941**	**53680**	**-67201**	**3467**	**101984**	**38250**	**91930**

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

MERSEYSIDE PASSENGER TRANSPORT EXECUTIVE
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

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

2013			2014		
Group £000's	**Executive £000's**		**Group £000's**	**Executive £000's**	**Note No.**
		Operating Activities			
-2088	-2103	Net (surplus) on the provision of services	-6391	-5600	27
		Adjustments to net surplus or deficit on the provision of services for non cash movements:			
-7511	-5551	Depreciation and impairment of property, plant and equipment	-5135	-4935	
4113	3744	(Increase) / decrease in trade and other receivables	4651	4915	
-108	-15	(Increase) / decrease in inventories	-43	27	
-5835	-7180	Increase / (decrease) in trade and other payables	3465	2051	
437	545	Movement in provisions	194	172	
		Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
0	0	Donated asset value & revaluation	0	0	
970	970	Transfer from pension reserve	-1879	-1879	
-10022	**-9590**	***Net cash flow from operating activities***	**-5138**	**-5249**	
		Investing Activities			
5312	5263	Purchase of property, plant and equipment and intangible assets	3936	3882	
-1779	-1779	Proceeds from the sale of property, plant and equipment and intangible assets	0	0	
0	0	Loans Advanced	0	0	
-19	-19	Loan payments received	-20	-269	
3514	**3465**	***Net cash flows from investing activities***	**3916**	**3613**	
		Financing Activities			
-197	-197	Other receipts from financing activities	-191	-197	
49	0	Repayment of internal loans*	123	123	
0	0	Repayment of loan to ITA	-7700	-7700	
3200	3200	Advance of loan to ITA	0	0	
	0	Repayment of short term and long term borrowing	0	0	
197	197	Other payments for financing activities	191	197	
3249	**3200**	***Net cash flows from financing activities***	**-7577**	**-7577**	
-3259	-2925	***Net (increase)/decrease in cash and cash equivalents***	-8799	-9213	
-23851	-23644	Cash and cash equivalents as at 1 April	-27110	-26569	
-27110	**-26569**	**Cash and cash equivalents as at 31 March**	**-35909**	**-35782**	

*Repayment of internal Group loans
The notes from page 25 onwards form part of these accounts.

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 (The Code) in so far as it is applicable.

The financial statements were authorised for issue by the directors on Monday 30 June 2014. The Director of Resources (Section 151 Officer) has on 30 June 2014, authorised that this Statement of Accounts could be issued for distribution. 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 the Executive and its subsidiary and associated undertakings as at 31 March 2014, as listed in note13.

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

The initial fair value of the Executive'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 is 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 the Executive 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.

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. The directors are not aware of any material changes to the asset values since the date of revaluation.

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

Capital expenditure and capital financing

Capital project grants are recognised as income in the period in which they are received. Expenditure is classified as assets under construction. Upon the assets becoming available for use, the expenditure is categorised to the appropriate class of property, plant and equipment and depreciated 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 intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. The Executive itself does not hold any heritage assets. The Beatles Story owns a statue in commemoration of John Lennon which is 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.

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

Impairment of non-financial assets

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

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

In assessing value in use, the estimated future cash flows are discounted at a rate reflecting the Executive'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.

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.

The Executive 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. The Executive has not designated any financial assets as at fair value through profit or loss. The Executive'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: the Executive assesses at each period end whether there is any evidence that a financial asset, or group of assets, is impaired. Financial assets are impaired if, and only if, there is objective evidence of one or more events that will negatively impact future expected cash flows, and the impact can be reliably estimated. Objective evidence may be that a debtor is experiencing financial difficulty to the extent that cash flows are, or are likely to be, negatively impacted. If such objective evidence exists, then the financial asset is impaired to the extent of the present value of estimated cash flow shortfall. The amount of the allowance for impairment is recorded separately to the asset, and written off against income.

Financial Liabilities

Financial liabilities are classified at initial recognition as loans and borrowings in accordance with IAS 39 (The Code Chapter 7.2), and recognised at cost. The Executive has not designated any financial liabilities as at fair value through profit or loss. The Executive'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.

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 2013. 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 the Executive has a present, legal or constructive obligation as a result of a past event which makes it probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of its amount.

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

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

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

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

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

Pensions

The accounting policy in this area has changed as a result of the Code's adoption of the 2011 amendments to IAS 19 and IAS 1. This change requires the recognition within the financial statements of a number of new classes of components of defined benefit costs – net interest on the net defined benefit liability (asset) and re measurement of the net defined liability (asset): and where there is a material impact, new definitions of recognition criteria for termination benefits. Therefore, our reporting reflects the enhanced disclosure. The Executive concludes that there is no material impact of the revised accounting treatment.

The Executive 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 the Executive 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 the Executives 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.

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

Exceptional 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 the Executive's financial performance.

Value Added Tax

Income and expenditure excludes VAT, as all VAT collected is payable to HR 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 the Executive.

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

The following accounting standards have been issued but not yet adopted:

- *IFRS13 – Fair Value Measurement*
- *IFRS10 – Consolidated Financial Statements* issued In May 2011 has minimal impact upon the financial statements
- *IFRS 11 – Joint Arrangements* issued in May 2011 has minimal impact upon the financial statements
- *IFRS 12 – Disclosure of Interests in Other Entities* issued in May 2011 has minimal impact upon the financial statements
- *IAS 27 Separate Financial Statements* amended in May 2011 has minimal impact upon the financial statements
- *IAS 28 Investments in Associates and Joint Ventures* as amended n May 2011 has minimal impact upon the financial statements
- *IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* as amended December 2011 has minimal impact upon the financial statements

3. Significant accounting judgements, estimates and assumptions

The preparation of the Executive'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 the Executive's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

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

Estimates and Assumptions

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

Property revaluation: the Executive carries certain assets at fair value. Periodically, external revaluations are used and the last independent survey was carried out in March 2009. 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.

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

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 the Executive'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, the Executive 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	7903	10528	19080	26689	26226	**90426**	-17184		**73242**
Government grant income	0	0	98610	0		**98610**			**98610**
Other grant income	700	0	0	0		**700**			**700**
Total income	8603	10528	117690	26689	26226	**189736**	-17184	0	**172552**
Group Expenditure 2014									
Franchises and operators	0	24507	97188	80961	0	**202656**			**202656**
Support services	1616	1920	940	1500	34254	**40230**	-17184		**23046**
Depreciation and impairment	0	0	0	0	0	**0**	5144		**5144**
Pension costs	0	0	0	0	0	**0**	4384	3275	**7659**
Provisions	0	0	0	0	0			175	**175**
Other expenses	8267	2997	19228	0	0	**30492**		8903	**39395**
Total expenditure	9883	29424	117356	82461	34254	**273378**	-7656	12353	**278075**
Net cost of services	-1280	-18896	334	-55772	-8028	**-83642**	-9528	-12353	**-105523**

	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 2013	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Fees charges and service income	7720	9111	19174	26528	27880	**90413**	-21436	0	**68977**
Government grant income	0	0	89202	0	0	**89202**	0	0	**89202**
Other grant income	700	0	0	0	0	**700**	0	0	**700**
Total income	8420	9111	108376	26528	27880	**180315**	-21436	0	**158879**
Group Expenditure 2013									
Franchises and operators	0	24683	87837	77695	0	**190215**	0	0	**190215**
Support services	1077	3435	9898	4133	35713	**54256**	-21436	0	**32820**
Depreciation and impairment	0	0	0	0	0	**0**	5787	0	**5787**
Pension costs	0	0	0	0	0	**0**	3245	2600	**5845**
Provisions								186	**186**
Other expenses	10828	0	11996	0	0	**22824**	0	7875	**30699**
Total	11905	28118	109731	81828	35713	**267295**	-12404	10661	**265552**
Net cost of services	-3485	-19007	-1355	-55300	-7833	**-86980**	-9032	-10661	**-106673**

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.

The Group 2012/13 position reflects the changes resulting from IAS 19 amendments

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

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

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

2012/13					2013/14			
			Restated					
Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's	Net Expenditure £000's	Group Accounts	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's	Note No
11905	8420	3485	3485	Mersey Ferries Group	9883	8603	1280	
28118	9111	19007	19007	Bus Services	29424	10528	18896	
109731	108376	1355	1355	Rail Services (including Rolling Stock)	117356	117690	-334	
81828	26528	55300	55300	Prepaid and Concessionary Travel	82461	26689	55772	
35713	27880	7833	7833	Other Services	34254	26226	8028	
-21436	-21436	0	0	Interdepartmental Charges	-17184	-17184	0	
5787	0	5787	5787	Depreciation & Impairment	5144	0	5144	
3168	0	3168	3245	Pensions: Current service costs & curtailments	4384	0	4384	
254814	**158879**	**95935**	**96012**	**Highways & Transport services**	**265722**	**172552**	**93170**	
186	0	186	186	Transfers to provisions	175	0	175	
2528	0	2528	2600	Pensions Special Contributions	3275	0	3275	23
7875	0	7875	7875	Revenue expenditure treated as capital	8903	0	8903	11
10589	**0**	**10589**	**10661**	**Non distributed costs**	**12353**	**0**	**12353**	
265403	**158879**	**106524**	**106673**	**Cost of services**	**278075**	**172552**	**105523**	
10436	9031	1405	2709	Pensions: Net Interest	2771	0	2771	23
0	0	0	0	Interest Payable/Receivable	191	239	-48	
8	0	8	8	Taxation	117	0	117	8
10444	**9031**	**1413**	**2717**	**Financing & investment income**	**3079**	**239**	**2840**	
0	262	-262	-262	European Union Grants	0	105	-105	
0	8900	-8900	-8900	Other Income - Grants applied	0	12910	-12910	
0	0	0	0	- LSTF, BSOG, etc.	0	1439	-1439	
0	100863	-100863	-100863	Revenue Support Grant from MITA	0	100300	-100300	
0	**110025**	**-110025**	**-110025**	**Taxation & non specific grant income**	**0**	**114754**	**-114754**	
275847	**277935**	**-2088**	**-635**	**(Surplus)/Deficit on Provision of Services**	**281154**	**287545**	**-6391**	

The restated column for 2012/13 restates the CIES after incorporation of the changes introduced by the adoption of IAS 19 re Pensions. For further details regarding the Executive's pension deficit, please refer to Note 23.

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

2012/13					2013/14			
			Restated					
Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's	Net Expenditure £000's	MPTE	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's	Note No
28118	9111	19007	19007	Bus Services	29424	10528	18896	
97735	96380	1355	1355	Rail Services	103430	100395	3035	
81828	26528	55300	55300	Concessionary Travel	82461	26689	55772	
35443	27879	7564	7564	Other Services	36565	31318	5247	
				Grants to:				
3779	0	3779	3779	Mersey Ferries Ltd	1760	0	1760	
197	0	197	197	Mersey Passenger Transport Services Ltd	27	0	27	
-16100	-16100	0	0	Inter departmental charges	-13355	-13355	0	
5550	0	5550	5550	Depreciation & Impairment	4936	0	4936	
3168	0	3168	3245	Pensions: Current service costs & curtailments	4384	0	4384	
239718	**143798**	**95920**	**95997**	**Highways & Transport Services**	**249632**	**155575**	**94057**	
186	0	**186**	**186**	Transfers to provisions	175	0	175	
2528	0	**2528**	**2600**	Pensions: Special contributions	3275	0	3275	23
7875	0	**7875**	**7875**	Revenue expenditure treated as Capital	8903	0	8903	11
10589	**0**	**10589**	**10661**	**Non distributed costs**	**12353**	**0**	**12353**	
250307	**143798**	**106509**	**106658**	**Cost of services**	**261985**	**155575**	**106410**	
10436	9031	1405	2709	Pensions: Net Interest	2771	0	2771	23
197	197	0	0	Interest Payable/Receivable	191	239	-48	
8	0	8	8	Taxation	21	0	21	8
10641	**9228**	**1413**	**2717**	**Financing & investment income**	**2983**	**239**	**2744**	
0	262	-262	-262	European Union Grants	0	105	-105	
0	8900	-8900	-8900	Other Income - Grants applied	0	12910	-12910	
				- LSTF, BSOG, etc		1439	-1439	
0	100863	-100863	-100863	Revenue Support Grant from MITA	0	100300	-100300	
0	**110025**	**-110025**	**-110025**	**Taxation & non specific grant income**	**0**	**114754**	**-114754**	
260948	**263051**	**-2103**	**-650**	**(Surplus)/Deficit on Provision of Services**	**264968**	**270568**	**-5600**	

The restated column for 2012/13 restates the CIES after incorporation of the changes introduced by the adoption of IAS 19 re Pensions. For further details regarding the Executive's pension deficit, please refer to Note 23.

5. Surplus on the Provision of Services

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

	Group		Executive	
	2014 **£000's**	**2013** **£000's**	**2014** **£000's**	**2013** **£000's**
Grant income:				
Rail services – Special Rail Grant	98,610	89,209	98,610	89,209
Revenue Grant	100,300	100,863	100,300	100,863
Capital grants	12,910	8,900	12,910	8,900
European grants	105	262	105	262
Depreciation of property, plant and equipment (including impairment)	5144	5550	4936	5550
Operating leases - minimum lease payments	12293	12193	0	0
Auditors' remuneration *	49	92	40	92
Pension costs**	7242	6026	7242	6026

* This is the net position after accruals, and includes audit fees for the Executive and it's subsidiary companies.
** 2012/13 restated re IAS 19

(b) Auditor's remuneration

KPMG Audit fees for the Executive accounts, including grant audit work performed, are estimated to be £50k for 2013/14 (£65k 2012/13).

6. Staff costs and headcount

The number of persons employed by the Executive (expressed as whole time equivalents) as at 31 March was:

	Group		Executive	
	2014 **No's**	**2013** **No's**	**2014** **No's**	**2013** **No's**
Analysis:- Operations	400	405	273	268
Catering/Retail	44	44	36	36
Management and administration	276	292	257	263
Total	**720**	**741**	**566**	**567**
The aggregate payroll cost for current employees was as follows:-				
Salaries and Wages	18110	18273	15366	15137
National Insurance	1344	1445	1156	1142
Superannuation *	1903	1967	1725	1683
Total	**21357**	**21685**	**18247**	**17962**

* The Merseyside Pension Fund administers, on the Executive's behalf, a Superannuation scheme that provides for the cost of meeting the future pension liabilities of the Executive's workforce. The contribution rate payable by the Executive is determined by the Fund's actuary, based on triennial valuations.

6. **Staff costs and headcount** (continued)

The following table sets out the remuneration paid to the Executive's Heads of Service paid in excess of £50k per annum salary (excluding pension contributions). For completeness, all Heads of Service including those paid below £50k have been included. These Heads report to the Directors of Services, who are employed by Merseyside Integrated Transport Authority. Details of the Directors' remuneration are disclosed in that entity's financial statements.

Post Title	Year	Salary £	Allowances £	Compensation for loss of office £	Pension contributions £	Total remuneration £
Head of People & Customer Development	2014	61757	1239	0	7164	70160
	2013	49660	1239	0	5760	56659
Head of Policy & LTP Development	2014	66147	42	0	7673	73862
	2013	63582	0		7375	70957
Head of Ferries	2014	80055	1446	-	9310	90811
	2013	79262	2239		9310	90811
*Head of Hub Development	2014	13210	0	39058	1532	53800
	2013	76945	0	0	8926	85871
**Head of Asset Management	2014	62305	204	0	7227	69736
	2013	0	0	0	0	0
****Rolling Stock Director	2014	124388	141	0	14429	138958
	2013	64212	811	0	7449	72472
*Head of Human Resources	2014	66147	1261	49062	7673	124143
	2013	63582	1351	0	7375	72308
Head of Integrated Transport	2014	75469	0	0	8754	84223
	2013	72545		0	8415	80960
Head of Customer Delivery	2014	76340	1541	0	9609	87490
	2013	49393	1239	0	6207	56839
Head of Finance	2014	61757	0	0	7164	68921
	2013	49660	-	-	5760	55420
***Head of Governance	2014	47275	2024	0	5707	55006
	2013	49660	0	0	5760	55420
*Head of Ticketing	2014	0	0	0	0	0
	2013	54260	108	0	0	54368
Head of Information Technology	2014	74311	84	0	8754	83149
	2013	72545	0	0	8415	80960
Senior Head of Service - Operations	2014	93245	92	0	10816	104153
	2013	79262	140	0	9194	88596
Head of Legal & Democratic Services	2014	66147	0	0	7673	73820
	2013	63582	119	0	7375	71076

*Post holders have now retired from the organisation.
** Post and duties previously carried out during 2013 by the Senior Head of Service – Operations
*** For 2013/14, this post was filled on an interim basis. The newly appointed Head of service is due to commence in April 2014.
**** The 2013 figures are a part year effect as the post holder commenced on 17 September 2012.
As a result of a realignment of services during 2012/13, certain Head of Service posts were subject to a job evaluation exercise. This has resulted in the 2014 figures including an element of back pay for Head of People and Customer Development, Head of Finance, Head of Customer Delivery, and the Senior Head of Service- Operations

6. Staff costs and headcount (continued)

The Executive's employees, other than Heads of Service, receiving more than £50,000 remuneration for the year (excluding pension contributions), were paid the following amounts:

	Group		Executive	
	2014	2013	2014	2013
£50,000 to £54,999	9	3	9	3
£55,000 to £59,999	2	7	2	7
£60,000 to £64,999	2	1	2	1
£75,000 to £84,999	3	-	2	-
£85,000 to £104,999	1	1	1	-

The numbers of exit packages (including those for Heads of Service) with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

PTE 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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	No.	No.	No.	No.	No.	No.	£000	£000
£0 -£20,000	0	0	5	15	5	15	39	167
£20,001 - £40,000	0	0	2	12	2	12	47	335
£40,001 - £60,000	0	0	3	10	3	10	119	491
£60,001 -£80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	0	0	10	37	10	37	205	993

7. Finance Costs – Interest Payable

	Group		Executive	
	2014	2013	2014	2013
	£000's	£000's	£000's	£000's
On loan capital – other	0	7	0	0
On inter company loan (MITA)	0	0	197	197
On pension scheme	10011	10436	10011	10436
	10011	10443	10208	10633

Finance Income – Interest Receivable

	Group		Executive	
	2014	2013	2014	2013
	£000's	£000's	£000's	£000's
From short-term loans and deposits	1	1	0	0
On inter company loan (TBS)	0	0	197	197
On pension scheme	7240	9031	7240	9031
	7241	9032	7437	9228

8. Taxation

Corporation is tax chargeable on interest received and rental income in the year at a rate of 23% for 2013/14 and 24% for 2012/13.

Taxation in the consolidated income and expenditure statement represents taxation paid by the employer for certain employee benefits deemed by HMRC to be taxable, 2013/14 £21k (2012/13 £8k). The Group CIES also includes the net estimated corporation tax payable on the Beatles Story profits (£75k).

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 £000's	Freehold Property £000's	Leasehold Property £000's	Plant & Machinery £000's	Vessels £000's	Ancillary Vehicles £000's	Assets Under Construction £000's	Surplus Assets £000's	Total £000's
Cost or valuation:									
At 1 April 2012	85376	300	856	25702	9813	26	1524	525	124122
Additions	1066	0	0	3876	328	0	0	0	5270
Reclassifications	631	0	0	0	0	0	-631	0	0
Revaluation	0	0	0	0	0	0	0	19	19
Disposals	0	-300	0	0	0	0	0	0	-300
Assets reclassified	0	0	0	0	0	0	0	0	0
At 31 March 2013	**87073**	**0**	**856**	**29578**	**10141**	**26**	**893**	**544**	**129111**
Additions	388	0	8	3142	561	0	0	0	4099
Reclassifications	247			-13					234
Revaluation									0
Disposals	0		0	-1	0	0	0	0	-1
At 31 March 2014	**87708**	**0**	**864**	**32706**	**10702**	**26**	**893**	**544**	**133443**
Depreciation and impairment:									
At 1 April 2012	5878	300	172	6066	1576	8	631	0	14631
Depreciation	2044	0	39	2582	507	2	0	0	5174
Reclassifications	631	0	0	0	0	0	-631	0	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	604	0	0	1724	0	0	0	25	2353
Disposals	0	-300	0	0	0	0	0	0	-300
At 31 March 2013	**9157**	**0**	**211**	**10372**	**2083**	**10**	**0**	**25**	**21858**
Depreciation	2013	0	39	2594	495	2	0	0	5143
Impairment losses recognised in the Surplus/Deficit on the Provision of Services									0
Reclassifications									0
Disposals									0
At 31 March 2014	**11170**	**0**	**250**	**12966**	**2578**	**12**	**0**	**25**	**27001**
Net Book Value:									
At 1 April 2012	79498	0	684	19636	8237	18	893	525	109491
At 31 March 2013	77916	0	645	19206	8058	16	893	519	107253
At 31 March 2014	**76538**	**0**	**614**	**19740**	**8124**	**14**	**893**	**519**	**106442**

The net book value of land and buildings as at 31 March 2014, all comprised long leasehold land and buildings.

9. Property, Plant and Equipment (continued)

MPTE	Infrastructure Assets £000's	Freehold Property £000's	Plant & Machinery £000's	Vessels £000's	Ancillary Vehicles £000's	Assets Under Construction £000's	Surplus Assets £000's	Total £000's
Cost or valuation:								
At 1 April 2012	85376	300	22652	9813	26	1524	525	120216
Additions	1066	0	3827	328	0	0	0	5221
Revaluation	0	0	0	0	0	0	19	19
Reclassifications	631					-631	0	0
Assets reclassified to/from assets held for sale	0	-300	0	0	0	0	.	-300
At 31 March 2013	**87073**	**0**	**26479**	**10141**	**26**	**893**	**544**	**125156**
Additions	388	0	3087	561	0	0	0	4036
Reclassifications	247		-13					234
Revaluation								0
Disposals								0
At 31 March 2014	**87708**	**0**	**29553**	**10702**	**26**	**893**	**544**	**129426**
Depreciation and impairment:								
At 1 April 2012	5878	300	5576	1576	8	631	0	13969
Depreciation	2044	0	2388	507	2	0	0	4941
Disposals	0	-300	0	0	0	0	0	-300
Reclassifications	631	0	0	0	0	-631	0	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	604	0	0	0	0	0	25	629
At 31 March 2013	**9157**	**0**	**7964**	**2083**	**10**	**0**	**25**	**19239**
Depreciation	2013	0	2425	495	2			4935
Impairment losses recognised in the Surplus/Deficit on the Provision of Services								0
Reclassifications								0
Disposals								0
At 31 March 2014	**11170**	**0**	**10389**	**2578**	**12**	**0**	**25**	**24174**
Net Book Value:								
At 1 April 2012	79498	0	17076	8237	18	893	525	106247
At 31 March 2013	77916	0	18515	8058	16	893	519	105917
At 31 March 2014	**76538**	**0**	**19164**	**8124**	**14**	**893**	**519**	**105252**

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

Valuation of property, plant and equipment

The Executive 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

9. Property, Plant and Equipment (continued)

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 Executives preparation for the introduction of the accounting implications of the Local Authority Accounting Panel (LAAP) 100. Consequently, values were not used in the final accounts.

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

The cumulative revaluation surplus held in the Executive's revaluation reserve at 31 March 2014 was £3,882k (2012/13 £3,857k).The Group position at 31 March 2014 was £3,492k (2012/13 £3,882k).

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

Group	**Statues £000's**
At 1 April 2013	385
Reclassification	0
Revaluations	0
At 31 March 2013 and as at 31 March 2014	385

In October 2010, a subsidiary, The Beatles Story was gifted an 18 feet high monumental sculpture to celebrate the life of John Lennon. The statue is sited 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. This gain on the valuation of £24k was taken to the revaluation reserve.

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		Executive:	
	2013/14	2012/13	2013/14	2012/13
	£000's	£000's	£000's	£000's
Capital Investment				
Property, plant and equipment	4332	5270	4270	5221
Revenue expenditure treated as capital *	8903	7875	8903	7875
	13235	**13145**	**13173**	**13096**
Sources of finance				
Grants receivable in year from ITA	-12910	-8900	-12910	-8900
Government grants and other contributions	0	0	0	0
Use of reserves etc	-325	-4196	-263	-4196
Use of capital receipts	0	0	0	0
Total funding	**-13235**	**-13096**	**-13173**	**-13096**

* 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 the Executive 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 2014 the Executive was contractually committed to further capital works which amounted to approximately £9.1m (2012/13 £16.3m). For further analysis, please see Note 25.

12. Intangible assets

	Goodwill on Consolidation £000's	Licenses £000's	2012/13 Total £000's	Goodwill on Consolidation £000's	Licenses £000's	2011/12 Total £000's
Cost or valuation:						
Opening balance:						
Gross carrying amount	2803	20	2823	2803	20	2823
Accumulated amortisation	-1108	-17	-1125	-1108	-13	-1121
Opening net carrying amount	1695	3	1698	1695	7	1702
Amortisation and impairment:						
Amortisation	0	-3	-3	0	-4	-4
Net carrying amount at end of year	**1695**	**0**	**1695**	**1695**	**3**	**1698**
Comprising:						
Gross carrying amount	2803	20	2823	2803	20	2823
Accumulated amortisation	-1108	-20	-1128	-1108	-17	-1125
	1695	**0**	**1695**	**1695**	**3**	**1698**

The Beatles Story Limited is amortising licences over the life of the licences.

Goodwill of £2.8m relates to the acquisition by Mersey Ferries Limited of The Beatles Story. For impairment testing purposes, this goodwill has been allocated to the wholly owned subsidiary, which forms part of the Mersey Ferries Group. This represents the lowest level within the Executive at which goodwill is monitored for internal management purposes.

The Executive carried out an annual impairment test of goodwill as at 31 March 2014. 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 2016/17 year period is 3% (2012/13: 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 2013/14.

13. Investments

Executive:

Executive	Loans £000's	Investment in companies £000's	Total £000's
At 1 April 2012	4025	0	4025
Additions	0	0	0
Repayments of capital	-117	0	-117
Impairments	0	0	0
At 31 March 2013	3908	**0**	3908
Repayments of capital	-122	0	-122
At 31 March 2014	3786	**0**	3786

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

13. Investments (continued)

The Executive's principal trading subsidiary undertakings and equity shareholdings in unlisted companies, all of which are incorporated in England, as at 31 March 2014 are shown in the table below.

Name	Immediate parent	Holding	Nature of the business	% equity interest 2014	% equity interest 2013
Mersey Ferries Ltd	Merseyside Passenger Transport Executive	**Company limited by guarantee**	**Passenger Transport**	**N/A***	**N/A***
Merseyside Passenger Transport Service Ltd	Merseyside Passenger Transport Executive	**25 £1 Ord. Shares 375 £1 5% Non Cumulative Pref shares**	**Leasing**	**100**	**100**
Real Time Information Group Limited	Merseyside Passenger Transport Executive	**1 £1 Ord Shares**	**Real Time Information systems**	**100**	**100**
Global Smart Media Ltd	Merseyside Passenger Transport Executive	**17,648 - 10p Ord Shares**	**Smartcard**	**87.9**	**87.9**
Accrington Technologies Ltd	Merseyside Passenger Transport Executive	**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 2014. Merseytravel Facilities Management Ltd and Liverpool South Parkway Ltd were both dissolved during the year ended 31 March 2014.

Spaceport Ltd and U534 Ltd ceased trading on 31/3/13. These companies were formally dissolved on 5/11/13 and their operations assets and liabilities transferred into Mersey Ferries Ltd

Livesmart ceased trading in January 2013. The company was dissolved on 10/9/13.

Group

Group accounts consolidate the results of all active subsidiaries.

The investment in the group balance sheet of £Nil (2013 -£ Nil) represents the Smart Transactions Group Limited (STG).The Group Investment is the estimated cost, less any impairment, of the Executive’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		Executive	
	2014	2013	2014	2013
	£000's	£000's	£000's	£000's
Balance outstanding at the start of the year	0	1800	0	1800
Assets newly classified as held for sale:	0		0	
Former MPTE Headquarters building	0	-1800	0	-1800
Assets sold	0	0	0	0
Balance outstanding at the year end	**0**	**0**	**0**	**0**

As at 31 March 2014 the Executive does not currently hold any assets that could be classified as Assets held for Sale.

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 2013, this was £21k loss relating to the sale of Hatton Garden.

15. Inventories

	Group		Executive	
	2014	2013	2014	2013
	£000's	£000's	£000's	£000's
Balance outstanding at the start of the year	458	564	27	42
Purchases				
Recognised as an expense in the year	-43	-106	27	-15
Written off in the year				
Balance outstanding at the year end	415	458	54	27

16. Debtors

(a) Amounts falling due within one year:

	Group		Executive	
	2014	2013	2014	2013
	£000's	£000's	£000's	£000's
Central Government Bodies	2209	2341	2144	2322
Other Local Authorities	22169	29701	22161	29689
NHS bodies	32	83	32	83
Public Corporations and Trading Funds	49	0	49	0
Other entities and individuals	17218	12601	17024	12101
Total current trade and other receivables	**41677**	**44726**	**41410**	**44195**

"Other Local Authorities" includes £21,700k (2013-£29,400k) provided to MPTE's parent MITA for investment on behalf of the PTE.

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.

16 Debtors (continued)

At 31 March 2014, Group had trade receivables at a nominal value of £1,203k (2013: £1,880k). PTE trade receivables at 31 March 2014 were £1,007k (2012 £1,611k). Movements in the provision for impairment of receivables were as follows:

Bad debt provision	Group		Executive	
	2014 £000's	2013 £000's	2014 £000's	2013 £000's
Opening provision	51	92	45	92
Charge for the year	258	8	2	2
Amounts written off	0	-49	0	-49
Closing provision	**309**	**51**	**47**	**45**

As at 31 March 2014, the PTE aged analysis of 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 2013	1,564	1132	151	245	12	24
31st March 2014	960	734	75	60	28	63

(b) Long-term Debtors

Loans	Group		Executive	
	2014 £000's	2013 £000's	2014 £000's	2013 £000's
Rechargeable works	687	687	687	687
Loan to restaurant	108	131	108	131
Other loans	3	0	3662	3908
	798	818	4457	4726

The loan to restaurant is to the owners of the Pier Head's Matou Pan 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 2013/14 were £122k (2012/13 £117k).

17. Cash and cash equivalents

	Group		Executive	
	2014 £000's	2013 £000's	2014 £000's	2013 £000's
Cash at bank and in hand	35909	27110	35782	26569

The Executive deposits surplus cash funds with the Merseyside Integrated Transport Authority, which in turn deposits these for periods between one day and twelve months depending on the immediate cash requirements of the Executive and MITA.MITA earns variable rates of interest, but none is due to MPTE.

18. Short term creditors

	Group		Executive	
	2014	2013	2014	2013
Creditors due within 1 year:	£000's	£000's	£000's	£000's
Central Government Bodies	1401	4093	1248	4001
Other Local Authorities	1521	1331	1514	1316
Public corporations	85	60	85	60
Other Entities and Individuals	17996	18597	18561	17694
	21003	**24081**	**21408**	**23071**

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

	Executive	
	2013/14	2012/13
Total number of invoices paid	17015	18154
Invoices paid within 30 days	16455	17453
Actual proportion paid within 30 days	96.7%	96.1%
Target	100%	100%

19. (a) Provisions

Provisions are created 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 2013	2948	863	1143	937	5
Arising during the year	384	384	0	0	0
Utilised during the year	-573	-72	-483	-18	0
Unused amounts reversed	-5	112	-112	0	-5
At 31 March 2014	**2754**	**1287**	**548**	**919**	**0**
Analysed as:					
Due within one year	**561**	**384**	**159**	**18**	**0**
Due after more than one year	**2193**	**903**	**389**	**901**	**0**

19 (a) Provisions (continued)

Executive	Total	Contractual Obligations	Employment Related	Contracted Maintenance
	£000's	£000's	£000's	£000's
At 1 April 2012	2803	835	1031	937
Arising during the year	384	46	0	338
Utilised during the year	-556	-55	-482	-19
At 31 March 2013	**2631**	**826**	**549**	**1256**
Analysed as:				
Due within one year	**516**	0	159	357
Due after more than one year	**2115**	826	390	899

Significant provisions for both Group and Executive as at 31 March 2014 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, and a new provision relating to the dilapidation works for a previously leased headquarters building; and
- Taxation provision relates to a tax liability in relation to The Beatles Story Ltd.

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.

(b) Contingent Liabilities

Commercial negotiations are in process relating to disputed costs. Some negotiations were concluded in 2013/14, and a reserve created for this purpose was 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 prejudice seriously the outcome of these negotiations.

20. Rail Franchise agreement

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 (MPTE). The PTE's share for 2013/14 was £3.4m (2012/13 £5.5m). It was agreed that MPTE's share is required to be discharged in the form of passenger improvements to the service. For 2013/14 costs of £1.8m (2012/13 £2.2m) and income of £5.2m (2012/13 £5.5m) have been included in PTE income and expenditure.

The balance as at 31 March 2014 is £11.5m (2013 £8.2m) is included in short-term debtors and 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 £11.5m.

21. Financial Instruments

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

Group	Carrying Amount 2014 £000's	Carrying Amount 2013 £000's	Fair Value 2014 £000's	Fair Value 2013 £000's
Financial Assets:				
Loans & Receivables				
Long-term loans & receivables	0	0	0	0
Long-term debtors	818	818	818	818
Current loans & receivables	34	34	34	34
Amounts deposited with MITA	21700	29400	21700	29400
Current Financial assets carried at contract am	17050	11442	17050	11442
	39602	41694	39602	41694
Unquoted equity investment at cost	0	0	0	1295
	39602	41694	39602	42989
Financial Liabilities:				
Current trade payables	13905	17242	13905	17242
Interest bearing loans and borrowings measured at amortised cost:				
Fixed rate borrowings - due within one year	128	122	128	122
Fixed rate borrowings - due after one year	3954	4083	3954	4083
	17987	21447	17987	21447

Executive	Carrying Amount 2014 £000's	Carrying Amount 2013 £000's	Fair Value 2014 £000's	Fair Value 2013 £000's
Financial Assets:				
Loans & Receivables				
Long-Term loans & receivables	3786	3908	3786	3908
Long-Term debtors	799	818	799	818
Current loans & receivables	34	34	34	34
Amounts deposited with MITA	21700	29400	21700	29400
Current Financial assets carried at contract amou	15991	11007	15991	11007
	42310	45167	42310	45167
Financial Liabilities:				
Current financial liabilities carried at contract costs	11908	15292	11908	15292
Current financial liability at amortised costs	128	122	128	122
Long term financial liability at amortised costs	3657	3786	3657	3786
	15693	19200	15693	19200

21. **Financial Instruments** (continued)

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

	2014 £000's		2013 £000's	
Group & Executive	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables
Interest expense	191	0	-197	0
Impairment losses (Bad debts)	0	-309	0	-51
Total expense in Surplus of Deficit on the Provision of Services	191	-309	-197	-51
Interest Income	0	-239	0	197
Total income in Surplus or Deficit on the Provision of Services	0	-239	0	197
Net gain/(loss) for the year	191	-548	-197	146

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 MITA on behalf of MPTE 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 2014 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 the Executive's considers that the carrying amount is not impaired at 31 March 2014. Therefore, the carrying value approximates fair value.

21. Financial Instruments (continued)

Risk Factors

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

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

The Executive'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 the Executive in its treasury management strategy.

(a) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Executive'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 amounted deposited in the highest rated categories. The Executive on lends surplus monies interest free to the ITA to make investments. These investments are governed by the ITA's Treasury Management policy.

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

(b) Liquidity risk

As the Executive has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments. There is a future risk that the Executive 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 MITA amounting to £3,785k payable by instalments until 2032/33

(c) Market risk

Interest rate risk: The Executive 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: The Executive 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: The Executive 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: The Executive holds no financial instruments that would be classified as hedging instruments.

22. Reserves

Useable Reserves

An analysis of closing useable reserves is as follows:

	Group		Executive	
	2014 £000's	2013 £000's	2014 £000's	2013 £000's
Revenue Reserve	2353	1561	1739	1739
Earmarked Reserves	51776	43632	51941	43796
Total Useable Reserves	54129	45193	53680	45535

Earmarked Reserves

This note sets out the amounts set aside from reserves in earmarked reserves, to provide finance for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2013/14. Earmarked reserves can be analysed as follows:

	Group		Executive	
	2014 £000's	2013 £000's	2014 £000's	2013 £000's
Operational	38092	29948	38257	31636
Development	13684	13684	13684	12160
Total Earmarked Reserves	51776	43632	51941	43796

Operational reserves are service related and have been created to support revenue spending for Bus/Rail operations. In addition, there are also reserves created in relation to employee related issues. Development reserves are primarily "capital" related ones and exist to support MPTE's capital programme. The Government's decision to cut public sector spending has already put severe pressure on these budgets.

Unusable Reserves

An analysis of closing unusable reserves is as follows:

	Group		Executive	
	2014 £000's	2013 £000's	2014 £000's	2013 £000's
Pension Reserve	(67,201)	(68,644)	(67,201)	(68,644)
Revaluation Reserve	3492	3882	3467	3857
Deferred Capital Grants	101984	102260	101984	102260
Total Unusable Reserves	38275	37498	38250	37473

22. Reserves (continued)

Deferred capital grants

	Deferred Capital Grants £000's	Capital contributions /receipts £000's	Total £000's
Balance at 1 April 2013	102260	2092	104352
Revaluation reserve depreciation charge	390		390
Grants received MITA		12910	12910
Grants Applied:			0
Property plant and equipment	4036	-4036	0
Deferred charges	234	-9137	-8903
Transfer from Capital reserves		263	263
Released to Revenue:-			0
Disposal of PPE			0
Revaluation reserve adjustment			0
Depreciation/Impairment charge	-4936		-4936
Balance at 31 March 2014	101984	2092	104076

Pensions Reserve

The Pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post -employment benefits and for funding benefits in accordance with statutory provisions. The Executive accounts for post-employment benefits in the Comprehensive Income and Expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Executive 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 the Authority has 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.

	Group and Executive		
		Restated	
	2014 £000's	2013 £000's	2013 £000's
Balance at 1 April	-68644	-58073	-58073
Actuarial (gains)/losses	-	-	-11541
Reamuresements (liabilites & assests)	3322	-10088	0
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	-7242	-6026	-4573
Employers Pension Contributions and direct payments to pensioners in the year	5363	5543	5543
Balance at 31 March	-67201	-68644	-68644

22. Reserves (continued)

Revaluation Reserve

The Revaluation reserve contains the gains made by the Executive arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

	Group		Executive	
	2014 £000's	**2013 £000's**	**2014 £000's**	**2013 £000's**
Balance at 1 April	3882	5385	3857	5360
Revaluation and impairment charges not charged to the surplus/deficit on the provision of services	-390	-1503	-390	-1503
Difference between fair value depreciation and historical cost depreciation	0	0	0	0
Balance at 31 March	3492	3882	3467	3857

Subsidiary Undertakings

For subsidiary undertakings, the aggregated amounts for capital and reserves, as at 31 March 2014, were as follows:-

Group	**2014 £000's**	**2013 £000's**
Spaceport	-234	-810
U-534	-10	198
The Beatles Story	636	164
Real Time Information Group	-27	-29
The Global Smart Media Group	-912	-956
	-547	-1433

23. Pension Costs

As part of the terms and conditions of employment of its officers and other employees, the Executive offers retirement benefits. The Merseyside Pension Fund administers, on the Executive's behalf, a Local Government Superannuation Scheme that provides for the cost of meeting the future pension liabilities of the Executive's workforce. This is a funded defined benefit final salary scheme, meaning that the Executive 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 one was carried out as at 1 April 2013 by Mercers a frim of Actuaries specializing in Pensions. Under Pension Fund regulations, contribution rates are set to meet the estimated overall liabilities of the Fund.

23. Pension Costs (continued)

Transactions relating to retirement benefits
The Executive paid an employer's contribution of £5.363m (2013 - £5.543m) to the Pension Fund, representing 16.3% (2013 –16.3%) 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:-

(i) Income and Expenditure statement, with 2012/13 restated using IAS 19 accounting treatment.

	2014 £000's	Restated 2013 £000's	2013 £000's
Income and Expenditure Statement:			
Net cost of services:			
Current service cost	4038	3245	3168
Curtailments	346	0	0
Adnistration expenses	87	72	0
Financing and Investment Income and Expenditure:			
Interest cost	0	0	10436
Expected return on scheme assets	0	0	-9031
Interest - assets	-7240	-7650	0
Interest - liabilites	10011	10359	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	7242	6026	4573
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:-			
Actuarial (gains)/losses	0	0	11541
Remeasurements : Assets	5014	-12879	0
Remeasurements : Liabilities	0	22967	0
Remeasurements : Liabilities Experience (gain)/loss	-1717	0	0
Remeasurements : Liabilities (Gain)/Loss financial assumptions	-7778	0	0
Remeasurements : Liabilities (Gain)/Loss demographic assumptions	1159	0	0
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	-3322	10088	11541
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	1443	-10571	-10571
Total Post Employment Benefits Charged in the year to the Movement in Reserves Statement	1443	-10571	-10571

Summary of amounts charged to Reserves and Income and Expenditure Statement:			
Employer's contributions payable to the scheme	5363	5543	5543
Retirement benefits payable to pensioners	11033	10588	10588

23. Pension Costs (continued)

(ii) Reconciliation of present value of the scheme's liabilities and assets for both Executive and Group (2012/13 restated at IAS 19 values)

Liabilities	**2014** **£000's**	**Restated 2013** **£000's**	**2013** **£000's**
Benefit obligations at 1 April	243288	216127	216127
Current service cost	4038	3245	3168
Interest on pension liabilities	10011	10359	10436
Member contributions	1138	1178	1178
Actuarial (gains)/losses	0		22967
Remeasurements (liabilities)	-8336	22967	
Curtailments	346	0	0
Benefits/transfers paid	-11033	-10588	-10588
Business contributions	0	0	0
Benefit obligations at 31 March	239452	243288	243288

Assets	**2014** **£000's**	**Restated 2013** **£000's**	**2013** **£000's**
Fair value of plan assets at 1 April	174644	158054	158054
Expected return on scheme assets	0	0	9031
Actuarial (gains)/losses	0	0	11426
Interest on plan assets	7240	7650	0
Remeasurements	-5014	12879	0
Admin expenses	-87	-72	0
Employer contributions	5363	5543	5543
Member contributions	1138	1178	1178
Benefits/transfers paid	-11033	-10588	-10588
Fair value of plan assets at 31 March	172251	174644	174644

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 the Executive in the year was £8.5m (£20.5m for 2012/13)

23. Pension Costs (continued)

(iii) Scheme history

Executive & Group	2009/10	2010/11	2011/12	2012/13	2013/14
	£000's	£000's	£000's	£000's	£000's
Present value of scheme liabilities	-205621	-188002	-216127	-243288	-239452
Fair value of scheme assets	147472	142423	158054	174644	172251
Surplus/deficit in the scheme	-58149	-45579	-58073	-68644	-67201

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

(iv) Pension costs 2014/15

The total contributions expected to be made to the Merseyside Pension Scheme by the Executive in the year to 31 March 2015 is:

	£'000
14.4% of Pensionable pay (£17.5m)	2,518
Expected Employer Contribution	2,173
Unfunded element re Added Years	780
	5,471

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis by Mercer Ltd, 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 Executive			
	2013/14		2012/13	
	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	7.0	60.6	7.0	60.6
Government bonds	3.4	15.7	2.8	15.7
Other bonds	4.3	3.6	3.9	3.6
Property	6.2	8.3	5.7	8.3
Cash/liquidity	0.5	2.3	0.5	2.3
Other	N/A	9.5	6.8	9.5
		100.0		100

*Dependent on type of asset

23. Pension Costs (continued)

(ii) Other assumptions

	Group		Executive	
	2013/14	2012/13	2013/14	2012/13
Mortality assumptions:				
Longevity at 65 for current pensioners :				
Men (years)	21.8	21.8	21.8	21.8
Women (years)	24.7	24.7	24.7	24.7
Longevity at 65 for future pensioners :			0	
Men (years)	23.7	23.7	23.7	23.7
Women (years)	26.6	26.6	26.6	26.6
Rate of Inflation (CPI)	2.40%	2.40%	2.40%	2.40%
Rate of increase in salaries	3.90%	3.90%	3.90%	3.90%
Rate of increase in pensions	2.40%	2.40%	2.40%	2.40%
Rate for discounting scheme/liabilities	4.20%	4.20%	4.20%	4.20%
Take-up of option to convert annual pension into retirement lump sum	N/A	50% max	N/A	50% max
	N/A	50% 3/80	N/A	50% 3/80

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

	2009/10		2010/11		2011/12		2012/13		2013/14	
	£000's	%	£000's	%	£000's	%	£000's	%	£000's	%
Differences between the expected and actual return on assets	30537	20.7	-7870	(5.5)	-5863	(3.7)	11,426	7.4	N/A	
Changes in demographic and financial assumptions used to estimate scheme liabilities	-41142	(20.0)	10,021	5.3	-5777	(2.7)	-22967	(9.4)	N/A	
Total	-10605		2,151		-11640		-11541		0	
Discount Rate		0.7		5.2		(1.1)		(2.0)		

Restated IAS 19	2009/10		2010/11		2011/12		2012/13		2013/14	
	£000's	%	£000's	%	£000's	%	£000's	%	£000's	%
Remeasurements - assets	N/A		N/A		N/A		12,879	7.4	-5,014	(2.9)
Remeasurements - liabilities	N/A		N/A		N/A		-22967	(9.4)	8336	3.4
Total	0		0		0		-10088		3322	
Discount Rate								(2.0)		1.4

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

23. Pension Costs (continued)

Pension Fund sensitivity analysis as at 31 March 2014

Executive and Group	Central £000's	Sensitivity 1 +0.1% pa discount rate £000's	Sensitivity 2 +0.1% inflation £000's	Sensitivity 3 +.01% pay growth £000's	Sensitivity 4 1 yr increase life expectancy £000's
Disclosure item					
Liabilites	239,452	235,676	243,288	240,325	244,246
Assets	(172,251)	(172,251)	(172,251)	(172,251)	(172,251)
Deficit/(Surplus)	67,201	63,425	71,037	68,074	71,995
Projected service cost for next year	3,703	3,620	3,790	3,703	3,788
Projected net interest costs for next year	2,836	2,731	3,022	2,892	3,065

Detailed asset breakdown as at 31 March 2014:

Asset category	Executive & Group Sub-category	Quoted	31/3/2013 £000's	%	31/3/2014 £000's	%
Equities	UK Quoted	Y	44261	25	45532	26
	Global quoted	Y	55187	32	52448	30
Bonds	UK Government	Y	8874	5	7267	4
	UK Corporate	Y	4278	2	4545	3
	UK Index linked	Y	19293	11	16394	10
Property	UK Direct	N	8604	5	8410	5
	Property Managed - (UK quoted)	Y	1008	1	1062	1
	Property Managed - (UK unquoted)	N	2687	2	2726	2
	Property Managed - (Global)	N	1524	1	1616	1
Alternatives	Private equity -(UK quoted)	Y	151	0	124	0
	Private equity -(UK unquoted)	N	4437	3	4428	3
	Private equity - (Global unquoted)	N	4563	3	4178	2
	Hedge funds - (UK quoted)	Y	469	0	487	0
	Hedge funds - (UK unquoted)	N	6855	4	7052	4
	Hedge funds - (Global unquoted)	N	325	0	258	0
	Infrastructure - (Global quoted)	Y	680	0	522	0
	Infrastructure - (UK unquoted)	N	973	1	1560	1
	Infrastructure - (Global unquoted)	N	1042	1	1368	1
	Opportunies - (UK quoted)	Y	2343	1	2513	1
	Opportunies - (UK unquoted)	N	1418	1	2402	1
	Opportunies - (Global quoted)	Y	1369	1	1481	1
	Opportunies - (Global unquoted)	N	866	0	1305	1
Cash	Cash instruments	Y	3437	2	4573	3
			174644	**100**	**172251**	**100**

24. Related party disclosures

The Group statements include the results of the MPTE and its subsidiaries -see Note13.

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

(a) Merseyside Integrated Transport Authority (MITA)

The Executive is required by statute to implement and administer transport policies determined by the Authority which means that the Authority is the executive's parent and ultimate controlling party. The Authority provided Revenue grants and Capital grants as set out in note 5. The Revenue Grant funded by ITA's levy on the 5 district councils in Merseyside to meet its own expenditure. The Executive's rail franchise payments and grants, used to improve bus services in rural areas where there would be no commercial bus service provision are funded through the MITA, which receives Special Rail Grants and Bus Grants from Central Government.

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

	2014 £000's	2013 £000's
Short term deposits w ith MITA	21700	29400

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 ITA members

Directors' emoluments and Member allowances are met in full by the ITA. Directors have a dual role as chief officers of both the Executive and Authority. The Chief Executive/Director General and the Director of Resources are the only officers who hold statutory roles in both the Executive and the Authority. There were no other transactions with Directors and officers other than reimbursement of expenses.

(c) Directors of Subsidiary Companies

Certain Executive's directors are also directors to subsidiary companies, whose objectives the subsidiary companies are consistent with the objectives of the Executive. Remuneration made by the Executive for such roles is disclosed in note 6.

In the case of the active subsidiaries, four members of the Authority served on the Mersey ferries board at various times during 2013/14. Total payments made amounted to £3k (2012/13 £10K)

24. Related party disclosures (continued)

(d) Subsidiary Companies

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

	2014 £000's	2013 £000's
Loans from Executive to:		
GSM	0	0
ATL	438	438
Mersey Ferries Limited	696	-56
Merseyside Passenger Transport Services Limited	1008	1033
The Beatles Story		-
Revenue support grant from Executive to:		
Mersey Ferries Limited	1760	3779
Merseyside Passenger Transport Services Limited	27	197
Contribution to Beatles Story operational costs	0	49

(e) Merseyside Pension Fund

Transactions and balances with Merseyside Pension Fund are set in note 23. For 2013/14 the Executive paid an employer's contribution equivalent to 11.6% of pensionable pay along with a fixed contribution of £1.55m into the Merseyside Pension Fund (2012/13 £1.5m). Outstanding contributions payable at 31 March 2014 were £65k (2012/13: £68k).

(g) Bus & Rail Companies

Services procured under the Transport Act 1985 and the Railways Act 1993, along with payments for Merseytravel's concessionary and prepaid travel schemes, resulted in payments of £110.0m and £92.2m to rail and bus companies respectively in 2013/14 (£99.9m and £89.9m to rail and bus companies respectively in 2012/13).

Other than statutory requirements upon the Executive, there are no controlling influences by Bus and Rail Companies.

25. Commitments

Capital Commitments

As at 31 March 2014 the Executive was contractually committed to further capital works which amounted to approximately £9.1m (2012/13 -£10.2m). Major contracts included the following schemes:-

	Group 2014 £000's Budget	Executive 2014 £000's Budget
Highways grant	6,600	6,600
Electric charging	680	680
Ferry Terminal/Vessel Improvements	148	148
Clean bus fund	248	248
Wirral Park & Ride schemes	787	787
Other Schemes	665	665
Total Capital Commitments	9,128	9,128

Lease commitments

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

	Group		Executive	
	2014 £000's	2013 £000's	2014 £000's	2013 £000's
Operating leases commitments:				
Within 1 year	12139	12192	0	0
Within 2 to 5 years	45379	12165	0	0
Over 5 years	0	0	0	0

The Executives subsidiary company MPTS has two operating leases, one for the rental of Beetham Court for office accommodation and another for the operating rental of the Merseyrail Rolling Stock. The 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 the Executive would guarantee the lease payments to the Lessor, Angel Trains, until a replacement franchise operator was appointed.

The Executive relocated its headquarters to Mann Island in March 2012, transferring the staff previously based at Beetham Court and Hatton Garden. The lease for Beetham Court expired in May 2013.

The existing lease with Angel Trains was due to expire in March 2015. However, negotiations have recently finalised to extend this lease until December 2018. This extension has been included in the above table's financial commitment.

The Executive has no assets held under finance leases.

25. Commitments (continued)

Lessor Commitments

The Executive 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		Executive	
	2014 £000's	2013 £000's	2014 £000's	2013 £000's
Operating leases which will expire:				
Within 1 year	645	413	39	39
Within 2 to 5 years	2569	1626	147	144
Over 5 years	9,371	3,295	292	111

Departure/Facility fees charged to bus operators for the use Executive bus stations are not included in the above table. For 2013/14 the Executive received £1,068k (2012/13 £1,032k) for these fees, which are included within Note 4 (Segmental reporting) "Other Services - fees, charges and service income".

26. Post balance sheet events

The Executive 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		Executive	
	2013/14 £000's	2012/13 £000's	2013/14 £000's	2012/13 £000's
Increase/(decrease) in cash at 31 March	8,799	(2,141)	9,213	(2,475)
Cash used to manage liquid resources	0	5,400	0	5,400
Change in net Funds	8,799	3,259	9,213	2,925
Net funds brought forward at 1 April	27,110	23,851	26,569	23,644
Net funds carried forward at 31 March	35,909	27110	35782	26569
Represented by:-				
Cash in hand (including Petty Cash)	35,909	27,110	35,782	26,569

27. Cash flow (continued)

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

2012/13			Group	2013/14		
Opening Balance £000's	Closing Balance £000's	Movement During Year £000's		Opening Balance £000's	Closing Balance £000's	Movement During Year £000's
23,822	27,071	3,249	Cash in hand	27,071	35,874	8,803
29	39	10	Petty Cash	39	35	(4)
23,851	27,110	3,259		27,110	35,909	8,799

2012/13			Executive	2013/14		
Opening Balance £000's	Closing Balance £000's	Movement During Year £000's		Opening Balance £000's	Closing Balance £000's	Movement During Year £000's
23,615	26,550	2,935	Cash in hand	26,550	35,765	9,215
29	19	(10)	Petty Cash	19	17	(2)
23,644	26,569	2,925		26,569	35,782	9,213

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

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.

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.

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

- 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 of 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 councils total reserve balances).

Glossary of Acronyms used in these Accounts

(M)ITA	(Merseyside) Integrated Transport Authority
(M)PTE	(Merseyside) Passenger Transport Executive
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
LGPS	Local Government Pension scheme
LSTF	Local Sustainable Transport Fund
LTP	Local Transport Plan
MEL	Merseyrail Electrics Ltd
MFL	Mersey Ferries Ltd
MPTS	Merseyside Passenger Transport Services Ltd
MRP	Minimum Repayment of Principal
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