

**Merseytravel**

**Statement of Accounts  
For the year ended 31 March 2016**

**MERSEYTRAVEL**  
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**FOR THE YEAR ENDED 31 MARCH 2016**

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# **MERSEYTRAVEL**

## **NARRATIVE STATEMENT TO THE ACCOUNTS**

### **FOR THE YEAR ENDED 31 MARCH 2016**

#### **Introduction**

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

The original approved budget for Merseytravel showed net spending of £97.4m funded by a grant of £97.4m from LCRCA. At revised budget time, management had produced savings to forecast a net spend of £96.7m. This was to be fully funded by a reduced grant from the LCRCA of £96.7m. The out turn position showed further savings across most service areas, which were used in part to reduce the grant required from LCRCA to £95.8m.

This set of accounts reflects the financial position of Merseytravel at 31 March 2016. These accounts inform the structure and strategy of the rolling three-year Medium Term Financial Strategy (MTFS) for the organisation. The MTFS helps shape the policy, procurement and contracting decisions taken by Merseytravel and the LCRCA.

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

Careful consideration is applied to the determination of reserve categories. Where reserves are earmarked this is done to ensure that Merseytravel is able to anticipate or meet any financial shocks. When reserves are no longer required due to changing circumstances they are released either to the General reserve or transferred to other earmarked reserves should the need arise

#### **The Accounts**

Merseytravel and its Group accounts for the year ended 31 March 2016 are set out on pages 19 to 66. They consist of-

- (a) The Comprehensive Income and Expenditure Statement (CIES) - is Merseytravel's main revenue account covering income and expenditure on all Merseytravel services. This is an abbreviated version of Merseytravel's performance for 2015/16 in line with the code. Further analysis is set out in Note 4. This segmental analysis follows the budgeting and resource allocation units that Merseytravel uses to manage its day-to-day activities.
- (b) Balance Sheet - which sets out the financial position of Merseytravel and its subsidiaries on 31 March 2016;
- (c) Movement in reserves statements for 2015/16 and the previous year;
- (d) Cash Flow Statement - which summarises the in/outflows of cash arising from transactions with third parties for revenue and capital purposes;
- (e) Notes -which comprise a summary of significant accounting policies and other explanatory information

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

**MERSEYTRAVEL  
NARRATIVE STATEMENT TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**Principal activities**

The principal activities of Merseytravel and its Group are:

- (a) Provision and operation of bus stations, interchanges, bus stops and shelters and other customer facilities;
- (b) Production of timetable and route information on all services;
- (c) Provision and operation of a commuter and leisure ferry service on the River Mersey along with various other leisure attractions to strengthen the local river front economy;
- (d) Administration of the local rail network through the Merseyrail Electrics Concession and Northern Rail Franchise;
- (e) Provision and operation of the local national concessionary travel schemes along with provision of a suite of prepaid travel tickets for public transport, including the development of Smartcard Ticketing, through the introduction of its Walrus card;
- (f) Provision of supported bus services that cover gaps in service provision not undertaken as part of the commercial network.
- (g) the day to day operational activities of the Mersey Tunnels

**Key Performance Indicators and Business Review**

The financial results of Merseytravel and the Group (which comprises Merseytravel, Mersey Ferries Ltd, The Beatles Story Ltd, Real Time Information Group Ltd, Accrington Technologies Ltd and Merseyside Passenger Transport Services Ltd) follow on pages 19 to 26.

The Merseytravel Comprehensive Income and Expenditure Statement (CIES) shows a deficit on the provision of services for the year of £1.3m (2014/15 £8.8m surplus). The Group CIES shows a deficit for 2015/16 of £0.8m (2014/15 £9.0m surplus). The consolidated useable and unusable reserves of Merseytravel at the year-end were £79.3m (2014/15 £69.6m).

During 2015/16, the Group net cost of services was £107.4m (2014/15 £113.8m) and Merseytravel net cost of service was £108.0m (2014/15 £114.1m) as analysed on pages 35-37.

The Group CIES (page 19) and notes show gross expenditure of £248.6m (£322.2m 2014/15). This was offset in part by supported bus fares shown as bus services £7.8m (£10.2m 2014/15), sales of prepaid tickets £23.0m (£25.6m 2014/15), LCRCA grant £95.8m (£102.5m 2014/15) and Special Rail Grant £81.5m (£95.4m 2014/15).

Capital invested during the year by Merseytravel totalled £12.1m (£18.7m 2014/15 see Note 11). This included £0.6m access improvements to Queens Square, £1.0m Better bus area improvements, £2.0m support to Newton le Willows station improvement programme, £1.2m improvements to Ferry terminals and vessels, and further improvements to the bus/rail network and IT infrastructure in support of LTP objectives

This Capital outlay was financed by a capital grant from LCRCA of £12.1m (2014/15 £18.6m).

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

**MERSEYTRAVEL**  
**NARRATIVE STATEMENT TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

|                           | Group    |           | Merseytravel |           |
|---------------------------|----------|-----------|--------------|-----------|
|                           | 2015/16  | 2014/15   | 2015/16      | 2014/15   |
|                           | £000's   | £000's    | £000's       | £000's    |
| Capital Reserve           | 7,613    | 7,613     | 7,613        | 7,613     |
| Working Balances          | 2,836    | 2,353     | 1,739        | 1,739     |
| Various Useable Reserves  | 61,572   | 57,909    | 61,569       | 57,871    |
| <b>Unusable Reserves:</b> |          |           |              |           |
| Pensions Reserve          | (94,246) | (102,192) | (94,246)     | (102,192) |
| Revaluation Reserve       | 11,831   | 11,831    | 11,615       | 11,615    |
| Deferred Capital Grants   | 90,974   | 92,938    | 90,974       | 92,938    |
|                           | 80,580   | 70,452    | 79,264       | 69,584    |

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.

**Grants**

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

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

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

The grants receivable by Merseytravel from LCRCA were as follows:

|  | 2015/16 | 2014/15 |
|--|---------|---------|
|  | £000's  | £000's  |
| Revenue Grants from LCRCA Received/Applied     | 95,765  | 102,456 |
| Special Rail Grants                            | 81,522  | 95,438  |
| European grants                                | 0       | 2       |
| DFT- LSTF revenue grants                       | 1,975   | 4,866   |
| Capital Grants ( from LCRCA ) Received/Applied | 12,138  | 18,589  |
|  | 191,400 | 221,351 |

**MERSEYTRAVEL  
NARRATIVE STATEMENT TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**Principal Risks and Uncertainties**

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

(i) Compliance Risk

If Merseytravel has to utilise reserves and working balances in order to mitigate against unexpected spending requirements or shortfalls in revenue generation, then there is the risk of failing to achieve financial objectives.

(ii) Energy Shocks

Typical risks include increases in fuel cost, which will have a direct impact upon the cost basis of Mersey Tunnels and Ferries and the supported bus network.

(iii) Population Demographics

The impact of an aging population will result in more people being eligible for concessionary travel, even allowing for the recent changes in eligibility. The arrangements with major bus operators and Merseyrail are on the basis that all eligible persons will have access to a local concession, until they reach the eligible age for the national concession. These arrangements have a cap and collar arrangement to insulate Merseytravel from cost exposures.

(v) Demand Shifts

Changes in patterns of demand for transport services can be driven by social, economic and technical factors. They can also be driven by changes to the location of retail, leisure and employment opportunities. Failure to maintain a transport network that can accommodate such shifts is an operational and financial risk to Merseytravel.

(vi) Global Financial Shocks

The consequences of shocks affecting interest rates; currency rates; unemployment and economic growth would each have direct and indirect implications for Merseytravel.

**MERSEYTRAVEL  
NARRATIVE STATEMENT TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**Future Developments**

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

**New and Improved Facilities:-**

- Development of Kirkby Bus station;
- Procurement of a new fleet of rolling stock for the Merseyrail Network to be operational before the end of this decade
- Further development of the SMARTCARD initiative
- Further development to improve Merseytravel's ICT environment
- Development of a new interchange at Newton le Willows using LGF funding
- Develop proposals to reopen the Halton Curve to introduce a service between Lime Street, Liverpool South Parkway, Runcorn and Chester initially, with potential to extend services into Wales will be in collaboration with the Welsh Assembly
- Development of a business case for the provision of a new rail station at Maghull North.

**Safe and Secure Network**

- Increase CCTV on bus and rail services and continue to work with partners to reduce the number of incidents on the transport network.
- Continue to invest in our assets and in the Mersey Tunnels on behalf of the Liverpool City Region Combined Authority

**Better Services**

- Help protect the environment by reducing carbon emissions and working with bus and rail operators to encourage sustainably;
- Use all our legal powers to improve and to 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**

- Achieve value for money for the local taxpayer in the provision of our services, through business process engineering initiatives and through better procurement.

Looking forward, Merseytravel will be engaged in a number of highly significant activities in 2016/17 and subject to a number of emerging risks.

Replacement of the Merseyrail Fleet of rolling stock should reach the implementation phase during 2016/17 following the conclusion of the major procurement exercise. This is a major undertaking for Merseytravel and represents a significant investment in the next generation of trains that will operate across Merseyrail. Merseytravel will procure the fleet and (via the Combined Authority) will have ownership over the life of the assets. This procurement also involves a significant investment in depot facilities and in the rail infrastructure itself. Managing the risks associated with this major project is a key future priority.

In addition, we are awaiting details of the City Region's new powers in respect of bus services associated with the City Region's devolution agreement. This could have significant implications for the operation of the bus network in the City Region and our relationship with key operators.

Merseytravel has a Corporate Risk register which captures its key risks. Emerging risks for 2016/17 and beyond will include any implications arising from these potential changes to the operation of the rail and bus networks. We will also evaluate the implications of the EU referendum result on the organisation as details of any transition and successor arrangements begin to emerge. Merseytravel is also affected by the changes in governance implied within the City Region's devolution agreement and will continue to work closely with the Combined Authority to fulfil its role within this.

**MERSEYTRAVEL  
NARRATIVE STATEMENT TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**Research and Development**

As regards a private sector/commercial definition of a company's research, there were no R&D activities during 2015/16 by Merseytravel.

**Trade Payables**

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

Within Merseytravel's Performance Plan, a "payment within 30 days" target of 100% has been set, against which the actual performance was 95.8%. This compares to a performance of 96.7% of undisputed creditors paid within 30 days during the year 2014/15.



**MERSEYTRAVEL  
NARRATIVE STATEMENT TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**Members of the Executive**

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

|            |   |
|------------|---|
| D Brown    | Director General (resigned 8/11/15)   |
| E Chandler | Director of Corporate Development   |
| F Rogers   | Director of Integrated Transport Services & Deputy Chief Executive (appointed Interim Chief Executive & Director General 9/11/15) |
| J Fogarty  | Director of Resources   |

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

The Director General and Director of Resources are also statutory officers of the Liverpool City Region Combined Authority. They fill the roles of Head of Paid Service (until 8/11/15) and Treasurer respectively.

**MERSEYTRAVEL  
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2016**

**Merseytravel's Responsibilities**

Merseytravel is required to:

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

**Responsibilities of the Director of Resources**

The Director of Resources is responsible for the preparation of the Merseytravel's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ("The Code"). The Statement of Accounts is required to present fairly the financial position of Merseytravel at the accounting date and its income and expenditure for the year end 31 March 2016

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

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

The Director of Resources has also:

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

**Responsible Financial Officer's Certificate**

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of Merseytravel as at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

A handwritten signature in black ink, appearing to read 'J Fogarty', with a long horizontal line extending from the end of the signature.

J Fogarty (CPFA)  
**Director of Resources**  
Date 22<sup>nd</sup> September 2016

## **MERSEYTRAVEL ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

### **Scope of responsibility**

Merseytravel 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 during 2015/16.

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

- The Transport Act 1968
- The County of Merseyside Act 1980 ( as amended by 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
- The Accounts and Audit Regulations 2015

Merseytravel is a distinct statutory body and is accountable to the Liverpool City Region Combined Authority (LCRCA). In addition Merseytravel acts as the Executive Body of, and fulfils the policy requirements of LCRCA. As such, it is required to maintain its own governance arrangements and assurance framework.

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

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

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

This statement explains how the Merseytravel complied with the code and also met the requirements of the Accounts and Audit Regulations 2015, regulation 6 (1) 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 Merseytravel is directed and controlled in its activities. It is the mechanism through which it is accountable to, engaged with and led by its stakeholders. It enables the organisation to monitor the achievement of its strategic objectives and to consider whether those objectives translate into the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. Any system of internal control cannot eliminate all risk of failure to achieve policies, aims and objectives, but the arrangements put in place at Merseytravel are intended to provide a reasonable - but not absolute - assurance of effectiveness.

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

The governance framework that was in place at Merseytravel for the year ended 31 March 2016 built upon significant changes and improvements put in place in previous years. This included the establishment of an

**MERSEYTRAVEL  
ANNUAL GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2016**

Audit Risk and Governance Board with an independent Chair and Vice Chair who have contributed to further strengthening our arrangements during 2015/16. This Board became effective in January 2016.

The purpose of the Audit, Risk & Governance Board is to provide independent assurance to Merseytravel (the Executive) of the adequacy of the risk management framework and the internal control environment. It provides independent review of Merseytravel's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Merseytravel's own Code of Corporate Governance was reviewed and updated in January 2016.

**The governance framework**

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

The Corporate Plan for 2015/16 set the template for all of the organisation's activities and represented the articulation of its priorities and values.

The Corporate Plan for 2015/16 was supported by detailed service planning 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.

The organisation maintains a register of key corporate risks and has risk management practices and processes in place as part of the overall governance framework, which are monitored through the Primary Assurance & Risk Group (Chaired by the Director of Resources) and reported to Merseytravel (the Executive) and the Audit, Risk & Governance Board.

Training and development was an important aspect of the overall performance management framework in 2015/16 and the organisation maintained a training and development programme linked to corporate priorities. That included both officers and LCRCA elected members.

Further assurance is provided through the maintenance of an Internal Audit function, which, in accordance with the Accounts and Audit Regulations 2015, is required to evaluate the effectiveness of Merseytravel's risk management, internal control and governance processes. In doing so, this takes into account the Public Sector Internal Auditing Standards (PSIAS) and associated guidance. The work of our external auditors is also a key element of the assurance framework.

Internal Audit review the internal control framework across the organisation, based on a formal risk assessment, and present recommendations where internal control weaknesses are identified.

During the year, significant work was undertaken within Internal Audit to ensure compliance with the requirements of the PSIAS and this self-assessment process has not identified any significant areas of non-compliance with these standards.

Within Internal Audit a review of internal working practices was undertaken and internal audit management system software was procured to facilitate leaner and more efficient working within the section and improved performance monitoring arrangements.

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

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

## **MERSEYTRAVEL ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

In addition to fundamental financial systems, planned audit reviews were undertaken on other financial and non-financial systems during the year, determined through a robust risk assessment and audit planning process. Audit work identified that, in the main, systems under review were working within a sound control framework. Substantial or Reasonable assurance was issued in respect of 76% of the planned (completed) reviews undertaken during the year.

The Chief Internal Auditor's Annual Report assessed Merseytravel's overall control environment as providing an adequate level of internal control in 2015/16.

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

The 2014/15 Annual Governance Statement identified a number of key areas for improvement and addressing these has been a key corporate priority in 2015/16.

### **Resources**

Merseytravel's funding arrangements have changed with the establishment of the LCRCA. The Annual Governance Statement in 2014/15 identified risks to governance arising from reduced resources and from less certainty around future resources.

Merseytravel has worked closely with the LCRCA throughout 2015/16 and has identified a budget and funding mechanism that is sustainable and allows Merseytravel to deliver its commitments to the LCRCA alongside its Corporate Plan objectives.

Merseytravel was able to deliver its corporate plan objectives and manage its risks in 2015/16 within its existing resources and without effecting its overall reserve position through effective management of its resources.

### **Internal Audit**

Internal Audit has prioritised improvements to internal efficiency and quality control in 2015/16. A Quality Assurance and Improvement Programme was delivered during 2015/16 and has been subject to review during the year to ensure that it remains in accordance with the Public Sector Internal Audit Standards.

In addition to fundamental financial systems, planned audit reviews were undertaken on other financial and non-financial systems during the year, determined through a robust risk assessment and audit planning process. Audit work identified that, in the main, systems under review were working within a sound control framework. Substantial or Reasonable assurance was issued in respect of 76% of the planned (completed) reviews undertaken during the year.

The establishment of the Audit, Risk & Governance Board has also impacted on Internal Audit; not just on the section itself and how the service operates and adds value to the organisation, but also in terms of the accountability of Managers for internal control and risk management and the governance arrangements of Merseytravel overall.

### **Risk Management**

Much work has been undertaken to improve risk management arrangements in recent years. A senior Primary Assurance and Risk group that represents key functions and services, is now in its second year of existence. It is chaired by a Director and is overseen through Merseytravel.

Merseytravel has a revised risk register, and this remains under regular review. The risk register is aligned to the Corporate Plan and to other strategic documents.

Merseytravel has also reviewed its policies and strategy around risk. Business Continuity arrangements have been reviewed and amended and the role of Merseytravel as a major participant in resilience matters in the region has been strengthened.

### **Information Governance**

Internal Audit work in 2014/15 identified a number of areas where information management and governance at Merseytravel needed to be stronger. As a result of this, new arrangements have been will be put in place in

## **MERSEYTRAVEL ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

2015/16 through the creation of an Information Management Governance Group at a senior level within the organisation. This group have been active in providing advice and guidance to improve information practices. The organisation has also appointed a Senior Information Risk Owner (SIRO) at Director level to provide an appropriate level of corporate leadership in this key area.

### **Significant Governance Issues**

#### **Resources**

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

Merseytravel has taken significant steps in recent years to improve value for money and reduce its operating costs. This can be demonstrated in a levy requirement for transport that has reduced from £127 million in 2014/15 to £105 million for 2016/17.

Reducing the levy requirement is part of a longer term financial strategy that aims to reduce the burden on local taxpayers and our constituent district councils.

Managing the business against a background of diminishing resources will continue to be a challenge and a robust governance framework will be required to ensure that while Corporate Plan priorities can be delivered, adequate resources are also available for the management of key corporate risks.

#### **Accountable Body Responsibilities**

Merseytravel acts as the accountable body for the LCRCA. In addition to its role in providing strategic financial advice and transport delivery functions to the LCRCA, Merseytravel also provides financial, internal audit and grant assurance functions on behalf of the LCRCA.

With devolution, the LCRCA's functions are expanding into areas outside the field of transport, including employment and skills, regeneration and housing. Merseytravel needs to ensure that it maintains the skills and capacity necessary to provide this function for the LCRCA in order to continue to provide the LCRCA with the assurance it requires to fulfil its responsibilities.

#### **Procurement**

As Merseytravel's resources continue to be utilised, there will be an increased focus on value for money. Merseytravel has significant third party spend both on transport services and on general running costs.

It is important that procurement policies and practices add value to the organisation in promoting value for money, supporting the local economy where possible and by promoting social and environmental responsibility.

Merseytravel has reviewed its procurement practices and identified some scope to improve in each of these areas by continuing to work more collaboratively with district partners. Changing the way in which we procure goods and services is a priority for 2016/17 and we need to undertake these changes within a robust governance framework.

#### **Programme Management**

Merseytravel is responsible for managing a large and complex capital programme, which includes significant responsibilities for the delivery of Local Area Growth Fund projects. In addition to this, Merseytravel is engaged in procurement activity to support the introduction of new rolling stock on the Merseyrail Network.

In recognition of this, Merseytravel has taken steps to improve its capacity and arrangements for the management of its key projects and implementing these arrangements will be key to successful delivery of our priorities in 2016/17.

**MERSEYTRAVEL  
ANNUAL GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2016**

**SUMMARY**

2015/16 was a year of consolidation in a number of key areas, following a period of sustained change. It was a year when many of the arrangements put in place in previous years started to become embedded and to have a real and positive impact on the way the organisation does business.

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

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

Signed:



Frank Rogers : Interim Chief Executive & Director General (since 9<sup>th</sup> November 2015)

**22<sup>nd</sup> September 2016**

**MERSEYTRAVEL  
INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MERSEYTRAVEL  
FOR THE YEAR ENDED 31 MARCH 2016**

We have audited the financial statements of Merseytravel for the year ended 31 March 2016 on pages 19 to 66. 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Director of Resources and auditor**

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

In addition, we read all the financial and non-financial information in the Narrative Statement 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 Authority and the Group as at 31 March 2016 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 11 to 15 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 Narrative Statement 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 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or



**MERSEYTRAVEL  
INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MERSEYTRAVEL  
FOR THE YEAR ENDED 31 MARCH 2016**

- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;  
or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

**Authority's responsibilities**

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

**Auditor's responsibilities**

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether Merseytravel had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Merseytravel put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

**MERSEYTRAVEL  
INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MERSEYTRAVEL  
FOR THE YEAR ENDED 31 MARCH 2016**

**Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Merseytravel put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

**Certificate**

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

**Timothy Cutler**  
**Partner**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 St Peter's Square  
Manchester  
M2 3AE

28 September 2016

**MERSEYTRAVEL**  
**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2016**

The Group and Comprehensive Income and Expenditure Statement (CIES), shows the costs of Merseytravel's service provision for operating Mersey Ferries (via the Mersey Ferries Ltd subsidiary company), socially necessary bus services, local Merseyrail Electrics and Northern Rail (City Line) train services, the operation of a very comprehensive season and day ticket scheme as well as the provision of both Statutory and Discretionary Concessionary travel schemes. In the case of the latter, decisions on what discretionary arrangements exist are made by the LCRCA (previously MITA) using various statutory powers. However, the cost falls upon Merseytravel.

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

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from grant income. Merseytravel receives grant income to cover expenditure in accordance with regulations; this may be different from the accounting cost. The reserves positions are shown in the Movement in Reserves Statement.

| 2014/15           |                |                 | GROUP   | 2015/16           |                |                 | Note No. |
|-------------------|----------------|-----------------|---|-------------------|----------------|-----------------|----------|
| Gross Expenditure | Gross Income   | Net Expenditure |   | Gross Expenditure | Gross Income   | Net Expenditure |          |
| £000's            | £000's         | £000's          |   | £000's            | £000's         | £000's          |          |
| 265,088           | 170,406        | 94,682          | Highways & Transport Services                       | 241,854           | 147,543        | 94,311          | 4        |
| 19,148            | 0              | 19,148          | Non distributed costs                               | 13,115            | 0              | 13,115          |          |
| <b>284,236</b>    | <b>170,406</b> | <b>113,830</b>  | <b>Cost of Services</b>                             | <b>254,969</b>    | <b>147,543</b> | <b>107,426</b>  |          |
| 3,226             | 233            | 2,993           | Financing & Investment income and expenditure       | 3,478             | 179            | 3,299           |          |
| 0                 | 125,913        | (125,913)       | Taxation & non specific grant income                | 0                 | 109,878        | (109,878)       |          |
| <b>287,462</b>    | <b>296,552</b> | <b>(9,090)</b>  | <b>(Surplus)/deficit on Provision of Services</b>   | <b>258,447</b>    | <b>257,600</b> | <b>847</b>      |          |
| 0                 | 0              | 0               | Associates and Joint Ventures                       |                   | 1,098          | (1,098)         |          |
| 11,537            | 0              | 11,537          | Transfer of MITA pensions deficit                   |                   |                | 0               |          |
| 0                 | 1,542          | (1,542)         | Surplus on revaluation of PPE                       | 0                 | 0              | 0               |          |
| 0                 | 0              | 0               | Actuarial (gains)/losses assets/liabilities         | 0                 | 0              | 0               |          |
| 23,231            | 0              | 23,231          | Remeasurements (liabilities/assets)                 |                   | 9,877          | (9,877)         |          |
| <b>34,768</b>     | <b>1,542</b>   | <b>33,226</b>   | <b>Other comprehensive income &amp; expenditure</b> | <b>0</b>          | <b>10,975</b>  | <b>(10,975)</b> |          |
| <b>322,230</b>    | <b>298,094</b> | <b>24,136</b>   | <b>Total Comprehensive Income &amp; Expenditure</b> | <b>258,447</b>    | <b>268,575</b> | <b>(10,128)</b> |          |
|                   |                |                 | <b>(Surplus)/deficit attributable to:</b>           |                   |                |                 |          |
|                   |                | 24,136          | Merseytravel  |                   |                | (10,128)        |          |
|                   |                | 0               | Minority interests                                  |                   |                | 0               |          |
|                   |                | <b>24,136</b>   | <b>Total (Surplus)/deficit</b>                      |                   |                | <b>(10,128)</b> |          |

All amounts relate to continuing operations.

Note 4 Segmental Reporting provides further analysis of the CIES.

The notes from page 27 onwards form part of these accounts.

**MERSEYTRAVEL**  
**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2016**

| 2014/15           |                |                 | MERSEYTRAVEL  | 2015/16           |                |                 | Note No. |
|-------------------|----------------|-----------------|---|-------------------|----------------|-----------------|----------|
| Gross Expenditure | Gross Income   | Net Expenditure |   | Gross Expenditure | Gross Income   | Net Expenditure |          |
| £000's            | £000's         | £000's          |   | £000's            | £000's         | £000's          |          |
| 248,197           | 153,284        | 94,913          | Highways & Transport Services                       | 225,449           | 130,576        | 94,873          | 4        |
| 19,148            | 0              | 19,148          | Non distributed costs                               | 13,115            | 0              | 13,115          |          |
| <b>267,345</b>    | <b>153,284</b> | <b>114,061</b>  | <b>Cost of Services</b>                             | <b>238,564</b>    | <b>130,576</b> | <b>107,988</b>  |          |
| 3,198             | 233            | 2,965           | Financing & Investment income and expenditure       | 3,364             | 179            | 3,185           |          |
| 0                 | 125,913        | (125,913)       | Taxation & non specific grant income                | 0                 | 109,878        | (109,878)       |          |
| <b>270,543</b>    | <b>279,430</b> | <b>(8,887)</b>  | <b>(Surplus)/Deficit on Provision of Services</b>   | <b>241,928</b>    | <b>240,633</b> | <b>1,295</b>    |          |
| 0                 | 0              | 0               | Associates and Joint Ventures                       |                   | 1,098          | (1,098)         |          |
| 11,537            | 0              | 11,537          | Transfer of MITA pensions deficit                   | 0                 | 0              | 0               |          |
| 0                 | 1,351          | (1,351)         | Surplus on revaluation of PPE                       | 0                 | 0              | 0               |          |
| 23,231            | 0              | 23,231          | Remeasurements (liabilities/assets)                 | 0                 | 9,877          | (9,877)         |          |
| <b>34,768</b>     | <b>1,351</b>   | <b>33,417</b>   | <b>Other comprehensive income &amp; expenditure</b> | <b>0</b>          | <b>10,975</b>  | <b>(10,975)</b> |          |
| <b>305,311</b>    | <b>280,781</b> | <b>24,530</b>   | <b>Total comprehensive income &amp; expenditure</b> | <b>241,928</b>    | <b>251,608</b> | <b>(9,680)</b>  |          |

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

All amounts relate to continuing operations

Note 4 Segmental Reporting provides further analysis of the CIES.

The notes from page 27 onwards form part of these accounts.

**Balance Sheet**

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

**MERSEYTRAVEL**  
**BALANCE SHEET AS AT 31 MARCH 2016**

| As at<br>31/3/15 |                        |  | As at<br>31/3/16 |                        | Note No. |
|------------------|------------------------|--|------------------|------------------------|----------|
| Group<br>£000's  | Merseytravel<br>£000's |  | Group<br>£000's  | Merseytravel<br>£000's |          |
|                  |                        | <b>NON-CURRENT ASSETS</b>                    |                  |                        |          |
|                  |                        | <b>Property, Plant &amp; Equipment</b>       |                  |                        |          |
| 28,179           | 28,179                 | Infrastructure Assets                        | 27,538           | 27,538                 |          |
| 10,262           | 10,262                 | Freehold Property                            | 10,140           | 10,140                 |          |
| 55,648           | 54,977                 | Leasehold Property                           | 54,778           | 54,150                 |          |
| 4,309            | 3,405                  | Plant & Machinery                            | 4,008            | 3,206                  |          |
| 4,578            | 4,578                  | Vessels                                      | 4,631            | 4,631                  |          |
| 22               | 22                     | Ancillary Vehicles                           | 17               | 17                     |          |
| 0                | 0                      | Assets Under Construction                    | 0                | 0                      |          |
| 2,155            | 2,155                  | Surplus Assets                               | 2,146            | 2,146                  |          |
| 105,153          | 103,578                | <b>Total Property, Plant &amp; Equipment</b> | 103,258          | 101,828                | 9,25     |
| 711              | 326                    | <b>Heritage assets</b>                       | 711              | 326                    | 10       |
| 1,963            | 268                    | <b>Intangible Assets</b>                     | 1,928            | 233                    | 12       |
| 0                | 0                      | <b>Long Term Investments</b>                 | 0                | 0                      | 13       |
| 777              | 4,301                  | <b>Long Term Debtors</b>                     | 758              | 4,141                  | 16(b)    |
| 108,604          | 108,473                | <b>TOTAL NON-CURRENT ASSETS</b>              | 106,655          | 106,528                |          |
|                  |                        | <b>CURRENT ASSETS</b>                        |                  |                        |          |
| 180              | 180                    | Assets Held for Sale                         | 0                | 0                      | 14       |
| 501              | 42                     | Inventories                                  | 467              | 55                     | 15       |
| 42,586           | 42,098                 | Short term Debtors                           | 48,583           | 48,307                 | 16(a)    |
| 46,423           | 46,276                 | Cash and cash equivalents                    | 48,727           | 48,606                 | 17,27    |
| 89,690           | 88,596                 | <b>TOTAL CURRENT ASSETS</b>                  | 97,777           | 96,968                 |          |
| 198,294          | 197,069                | <b>TOTAL ASSETS</b>                          | 204,432          | 203,496                |          |
|                  |                        | <b>CURRENT LIABILITIES</b>                   |                  |                        |          |
| (134)            | (134)                  | Loans from ITA                               | (141)            | (141)                  | 21       |
| (19,352)         | (19,282)               | Short Term Creditors & Deferred Revenue      | (23,558)         | (24,172)               | 18       |
| (155)            | (140)                  | Provisions                                   | (182)            | (167)                  | 19       |
| (19,641)         | (19,556)               | <b>TOTAL CURRENT LIABILITIES</b>             | (23,881)         | (24,480)               |          |
| 70,049           | 69,040                 | <b>NET CURRENT ASSETS</b>                    | 73,896           | 72,488                 |          |
|                  |                        | <b>LONG TERM LIABILITIES</b>                 |                  |                        |          |
| (3,691)          | (3,523)                | Internal loans due after one year            | (3,550)          | (3,382)                |          |
| (2,304)          | (2,214)                | Provisions                                   | (2,169)          | (2,124)                | 19       |
| (102,192)        | (102,192)              | Pension Liability                            | (94,246)         | (94,246)               | 23       |
| (16)             | 0                      | Other Long Term Liabilities                  | (8)              | 0                      |          |
| (108,203)        | (107,929)              | <b>TOTAL NON CURRENT LIABILITIES</b>         | (99,973)         | (99,752)               |          |
| 70,450           | 69,584                 | <b>NET ASSETS</b>                            | 80,578           | 79,264                 |          |
|                  |                        | <b>FUNDS BALANCES &amp; RESERVES</b>         |                  |                        |          |
| 67,875           | 67,223                 | Useable Reserves                             | 72,021           | 70,921                 | } 22     |
| 2,577            | 2,361                  | Unusable Reserves                            | 8,559            | 8,343                  |          |
| (2)              | 0                      | Minority Interest                            | (2)              | 0                      |          |
| 70,450           | 69,584                 | <b>TOTAL RESERVES</b>                        | 80,578           | 79,264                 |          |

The notes from page 27 onwards form part of these accounts.

J Fogarty (CPFA)  
 Director of Resources  
 Date 22<sup>nd</sup> September 2016



F Rogers  
 Director General  
 Date 22<sup>nd</sup> September 2016



**MERSEYTRAVEL**  
**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

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

| Group 2014/15   | Revenue Reserves (Note 22) £000's | Earmarked Reserve (Note 22) £000's | Total Useable Reserves £000's | Pension Reserve (Note 22) £000's | Revaluation Reserve (Note 22) £000's | Deferred Capital Grants (Note 22) £000's | Total Unusable Reserves £000's | Minority interests £000's | Total Reserves £000's |
|---|-----------------------------------|------------------------------------|-------------------------------|----------------------------------|--------------------------------------|--|--------------------------------|---------------------------|-----------------------|
| Bal b/f 1 <sup>st</sup> April 2014  | 2,353                             | 51,776                             | 54,129                        | (67,201)                         | 12,081                               | 95,579                                   | 40,459                         | (2)                       | 94,586                |
| Restated Bal b/f 1 <sup>st</sup> April 2014                                     | 2,353                             | 51,776                             | 54,129                        | (67,201)                         | 12,081                               | 95,579                                   | 40,459                         | (2)                       | 94,586                |
| <b>Movement in Reserves during 2014/15:</b>                                     |                                   |                                    |                               |                                  |                                      |  |                                |                           |                       |
| <b>Surplus on the provision of services</b>                                     | <b>9,090</b>                      | <b>0</b>                           | <b>9,090</b>                  | <b>0</b>                         | <b>0</b>                             | <b>0</b>                                 | <b>0</b>                       | <b>0</b>                  | <b>9,090</b>          |
| Other Comprehensive Income & Expenditure  | 0                                 | 0                                  | 0                             | 0                                | (250)                                | 1,792                                    | 1,542                          | 0                         | 1,542                 |
| Transfer of MITA pensions deficit   | 0                                 | (11,537)                           | (11,537)                      | 0                                | 0                                    | 0  | 0                              | 0                         | (11,537)              |
| Remeasurements (liabilities & assets)   | 0                                 | 0                                  | 0                             | (23,231)                         | 0                                    | 0  | (23,231)                       | 0                         | (23,231)              |
| <b>Other comprehensive income &amp; expenditure</b>                             | <b>9,090</b>                      | <b>(11,537)</b>                    | <b>(2,447)</b>                | <b>(23,231)</b>                  | <b>(250)</b>                         | <b>1,792</b>                             | <b>(21,689)</b>                | <b>0</b>                  | <b>(24,136)</b>       |
| Pensions charged to CIES - See note 23  | 7,561                             | 0                                  | 7,561                         | (7,561)                          | 0                                    | 0  | (7,561)                        | 0                         | 0                     |
| Employer's pension contribution   | (7,338)                           | 0                                  | (7,338)                       | 7,338                            | 0                                    | 0  | 7,338                          | 0                         | 0                     |
| Capital grants applied MITA re PPE  | 0                                 | (3,717)                            | (3,717)                       | 0                                | 0                                    | 3,717                                    | 3,717                          | 0                         | 0                     |
| Release from reserves re depreciation/Impairment                                | 8,044                             | 0                                  | 8,044                         | 0                                | 0                                    | (8,044)                                  | (8,044)                        | 0                         | 0                     |
| Disposal of assets held for sale  | 0                                 | 106                                | 106                           | 0                                | 0                                    | (106)                                    | (106)                          | 0                         | 0                     |
| Transfers in respect of long term loans   | 0                                 | 0                                  | 0                             | 0                                | 0                                    | 0  | 0                              | 0                         | 0                     |
| <b>Adjustments between accounting basis and funding basis under regulations</b> | <b>8,267</b>                      | <b>(3,611)</b>                     | <b>4,656</b>                  | <b>(223)</b>                     | <b>0</b>                             | <b>(4,433)</b>                           | <b>(4,656)</b>                 | <b>0</b>                  | <b>0</b>              |
| <b>Net increase/(decrease) before transfers to earmarked funds</b>              | <b>17,357</b>                     | <b>(15,148)</b>                    | <b>2,209</b>                  | <b>(23,454)</b>                  | <b>(250)</b>                         | <b>(2,641)</b>                           | <b>(26,345)</b>                | <b>0</b>                  | <b>(24,136)</b>       |
| <b>Transfers to/from earmarked funds</b>  |                                   |                                    |                               |                                  |                                      |  |                                |                           |                       |
| Grants received MITA  | (18,589)                          | 18,589                             | 0                             | 0                                | 0                                    | 0  | 0                              | 0                         | 0                     |
| Grants received EU  | 0                                 | 0                                  | 0                             | 0                                | 0                                    | 0  | 0                              | 0                         | 0                     |
| Grants applied MITA revenue from capital  | 14,971                            | (14,971)                           | 0                             | 0                                | 0                                    | 0  | 0                              | 0                         | 0                     |
| Grants applied re EU  | 0                                 | 0                                  | 0                             | 0                                | 0                                    | 0  | 0                              | 0                         | 0                     |
| Transfers to earmarked reserves   | (13,739)                          | 25,276                             | 11,537                        | (11,537)                         | 0                                    | 0  | (11,537)                       | 0                         | 0                     |
| <b>Total transfers to earmarked funds</b>                                       | <b>(17,357)</b>                   | <b>28,894</b>                      | <b>11,537</b>                 | <b>(11,537)</b>                  | <b>0</b>                             | <b>0</b>                                 | <b>(11,537)</b>                | <b>0</b>                  | <b>0</b>              |
| <b>Increase/Decrease in year</b>  | <b>0</b>                          | <b>13,746</b>                      | <b>13,746</b>                 | <b>(34,991)</b>                  | <b>(250)</b>                         | <b>(2,641)</b>                           | <b>(37,882)</b>                | <b>0</b>                  | <b>(24,136)</b>       |
| <b>Balance 31 March 2015 carried forward</b>                                    | <b>2,353</b>                      | <b>65,522</b>                      | <b>67,875</b>                 | <b>(102,192)</b>                 | <b>11,831</b>                        | <b>92,938</b>                            | <b>2,577</b>                   | <b>(2)</b>                | <b>70,450</b>         |

**MERSEYTRAVEL**  
**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

| <b>Group 2015/16</b>  | <b>Revenue Reserves (Note 22) £000's</b> | <b>Earmarked Reserve (Note 22) £000's</b> | <b>Total Useable Reserves £000's</b> | <b>Pension Reserve (Note 22) £000's</b> | <b>Revaluation Reserve (Note 22) £000's</b> | <b>Deferred Capital Grants (Note 22) £000's</b> | <b>Total Unusable Reserves £000's</b> | <b>Minority interests £000's</b> | <b>Total Reserves £000's</b> |
|---|--|---|--------------------------------------|---|---|---|---------------------------------------|----------------------------------|------------------------------|
| <b>Bal b/f 1<sup>st</sup> April 2015 as restated</b>                            | 2,353                                    | 65,522                                    | 67,875                               | (102,192)                               | 11,831                                      | 92,938  | 2,577                                 | (2)                              | 70,450                       |
| <b>Movement in Reserves during 2015/16:</b>                                     |  |   |                                      |   |   |   |                                       |                                  |                              |
| <b>Surplus on the provision of services</b>                                     | <b>(847)</b>                             | <b>0</b>                                  | <b>(847)</b>                         | <b>0</b>                                | <b>0</b>                                    | <b>0</b>  | <b>0</b>                              | <b>0</b>                         | <b>(847)</b>                 |
| Other comprehensive income and expenditure                                      | 1,098                                    | 0   | 1,098                                | 0                                       | 0   | 0   | 0                                     | 0                                | 1,098                        |
| Transfer of MTA pensions deficit  | 0  | 0   | 0                                    | 0                                       | 0   | 0   | 0                                     | 0                                | 0                            |
| Remeasurements (liabilities & assets)   | 0  | 0   | 0                                    | 9,877                                   | 0   | 0   | 9,877                                 | 0                                | 9,877                        |
| <b>Other comprehensive income &amp; expenditure</b>                             | <b>1,098</b>                             | <b>0</b>                                  | <b>1,098</b>                         | <b>9,877</b>                            | <b>0</b>                                    | <b>0</b>  | <b>9,877</b>                          | <b>0</b>                         | <b>10,975</b>                |
| Pensions charged to CIES - See note 23  | 8,446                                    | 0   | 8,446                                | (8,446)                                 | 0   | 0   | (8,446)                               | 0                                | 0                            |
| Employer's pension contribution   | (6,515)                                  | 0   | (6,515)                              | 6,515                                   | 0   | 0   | 6,515                                 | 0                                | 0                            |
| Grants applied LCRCA re PPE   | 0  | (3,001)                                   | (3,001)                              | 0                                       | 0   | 3,001   | 3,001                                 | 0                                | 0                            |
| Release from reserves for depreciation/impairment/revaluation                   | 4,776                                    | 0   | 4,776                                | 0                                       | 0   | (4,776)   | (4,776)                               | 0                                | 0                            |
| Disposal of assets held for sale  | 189                                      | 0   | 189                                  | 0                                       | 0   | (189)   | (189)                                 | 0                                | 0                            |
| Transfer from Reserves/ Use of Capital Receipts                                 | 0  | 0   | 0                                    | 0                                       | 0   | 0   | 0                                     | 0                                | 0                            |
| <b>Adjustments between accounting basis and funding basis under regulations</b> | <b>6,896</b>                             | <b>(3,001)</b>                            | <b>3,895</b>                         | <b>(1,931)</b>                          | <b>0</b>                                    | <b>(1,964)</b>                                  | <b>(3,895)</b>                        | <b>0</b>                         | <b>0</b>                     |
| <b>Net increase/(decrease) before transfers to earmarked funds</b>              | <b>7,147</b>                             | <b>(3,001)</b>                            | <b>4,146</b>                         | <b>7,946</b>                            | <b>0</b>                                    | <b>(1,964)</b>                                  | <b>5,982</b>                          | <b>0</b>                         | <b>10,128</b>                |
| <b>Transfers to/from earmarked funds</b>  |  |   |                                      |   |   |   |                                       |                                  |                              |
| Grants received LCRCA   | (12,138)                                 | 12,138                                    | 0                                    | 0                                       | 0   | 0   | 0                                     | 0                                | 0                            |
| Grants received EU  | 0  | 0   | 0                                    | 0                                       | 0   | 0   | 0                                     | 0                                | 0                            |
| Grants applied LCRCA revenue from capital                                       | 9,146                                    | (9,146)                                   | 0                                    | 0                                       | 0   | 0   | 0                                     | 0                                | 0                            |
| Grants applied re EU  | 0  | 0   | 0                                    | 0                                       | 0   | 0   | 0                                     | 0                                | 0                            |
| Transfers to/from earmarked reserves  | (3,672)                                  | 3,672                                     | 0                                    | 0                                       | 0   | 0   | 0                                     | 0                                | 0                            |
| <b>Total transfers to earmarked funds</b>                                       | <b>(6,664)</b>                           | <b>6,664</b>                              | <b>0</b>                             | <b>0</b>                                | <b>0</b>                                    | <b>0</b>  | <b>0</b>                              | <b>0</b>                         | <b>0</b>                     |
| <b>Net Increase/Decrease in year</b>  | <b>483</b>                               | <b>3,663</b>                              | <b>4,146</b>                         | <b>7,946</b>                            | <b>0</b>                                    | <b>(1,964)</b>                                  | <b>5,982</b>                          | <b>0</b>                         | <b>10,128</b>                |
| <b>Balance 31 March 2016 carried forward</b>                                    | <b>2,836</b>                             | <b>69,185</b>                             | <b>72,021</b>                        | <b>(94,246)</b>                         | <b>11,831</b>                               | <b>90,974</b>                                   | <b>8,559</b>                          | <b>(2)</b>                       | <b>80,578</b>                |

**MERSEYTRAVEL**  
**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

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



**MERSEYTRAVEL**  
**MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

| MERSEYTRAVEL 2015/16  | 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 |
|---|-----------------------------------|------------------------------------|-------------------------------|----------------------------------|--------------------------------------|--|--------------------------------|-----------------------|
| <b>Bal b/f 1<sup>st</sup> April 2015 as Restated</b>                            | 1,739                             | 65,484                             | 67,223                        | (102,192)                        | 11,615                               | 92,938                                   | 2,361                          | 69,584                |
| <b>Movement in Reserves during 2015/16:</b>                                     |                                   |                                    |                               |                                  |                                      |  |                                |                       |
| <b>Surplus on the provision of services</b>                                     | (1,295)                           | 0                                  | (1,295)                       | 0                                | 0                                    | 0  | 0                              | (1,295)               |
| Other comprehensive income and expenditure                                      | 1,098                             |                                    | 1,098                         |                                  | 0                                    | 0  | 0                              | 1,098                 |
| Transfer of MITA pensions deficit   | 0                                 |                                    | 0                             | 0                                |                                      | 0  | 0                              | 0                     |
| Remeasurements (liabilities & assets)   | 0                                 | 0                                  | 0                             | 9,877                            | 0                                    | 0  | 9,877                          | 9,877                 |
| <b>Other comprehensive income &amp; expenditure</b>                             | <b>1,098</b>                      | <b>0</b>                           | <b>1,098</b>                  | <b>9,877</b>                     | <b>0</b>                             | <b>0</b>                                 | <b>9,877</b>                   | <b>10,975</b>         |
| Pensions charged to CIES - See note 23  | 8,446                             | 0                                  | 8,446                         | (8,446)                          | 0                                    | 0  | (8,446)                        | 0                     |
| Employer's pension contribution   | (6,515)                           | 0                                  | (6,515)                       | 6,515                            | 0                                    | 0  | 6,515                          | 0                     |
| Grants applied LCRCA re PPE   | 0                                 | (3,001)                            | (3,001)                       | 0                                | 0                                    | 3,001                                    | 3,001                          | 0                     |
| Release from reserves for depreciation/Impairment                               | 4,776                             | 0                                  | 4,776                         | 0                                | 0                                    | (4,776)                                  | (4,776)                        | 0                     |
| Disposal of assets held for sale  | 0                                 | 189                                | 189                           | 0                                | 0                                    | (189)                                    | (189)                          | 0                     |
| Transfer from Reserves/Use of Capital Receipts                                  | 0                                 | 0                                  | 0                             | 0                                | 0                                    | 0  | 0                              | 0                     |
| <b>Adjustments between accounting basis and funding basis under regulations</b> | <b>6,707</b>                      | <b>(2,812)</b>                     | <b>3,895</b>                  | <b>(1,931)</b>                   | <b>0</b>                             | <b>(1,964)</b>                           | <b>(3,895)</b>                 | <b>0</b>              |
| <b>Net increase/(decrease) before transfers to earmarked funds</b>              | <b>6,510</b>                      | <b>(2,812)</b>                     | <b>3,698</b>                  | <b>7,946</b>                     | <b>0</b>                             | <b>(1,964)</b>                           | <b>5,982</b>                   | <b>9,680</b>          |
| <b>Transfers to/from earmarked funds</b>  |                                   |                                    |                               |                                  |                                      |  |                                |                       |
| Grants received LCRCA   | (12,138)                          | 12,138                             | 0                             | 0                                | 0                                    | 0  | 0                              | 0                     |
| Grants applied LCRCA revenue from capital                                       | 9,146                             | (9,146)                            | 0                             | 0                                | 0                                    | 0  | 0                              | 0                     |
| Transfers to earmarked reserves   | (3,518)                           | 3,518                              | 0                             | 0                                | 0                                    | 0  | 0                              | 0                     |
| <b>Total transfers to earmarked funds</b>                                       | <b>(6,510)</b>                    | <b>6,510</b>                       | <b>0</b>                      | <b>0</b>                         | <b>0</b>                             | <b>0</b>                                 | <b>0</b>                       | <b>0</b>              |
| <b>Net Increase/Decrease in year</b>  | <b>0</b>                          | <b>3,698</b>                       | <b>3,698</b>                  | <b>7,946</b>                     | <b>0</b>                             | <b>(1,964)</b>                           | <b>5,982</b>                   | <b>9,680</b>          |
| <b>Balance 31 March 2016 carried forward</b>                                    | <b>1,739</b>                      | <b>69,182</b>                      | <b>70,921</b>                 | <b>(94,246)</b>                  | <b>11,615</b>                        | <b>90,974</b>                            | <b>8,343</b>                   | <b>79,264</b>         |

The notes from page 27 onwards form part of these accounts.

**MERSEYTRAVEL**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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

| 2014/15         |                        |   | 2015/16         |                        | Note No. |
|-----------------|------------------------|---|-----------------|------------------------|----------|
| Group<br>£000's | Merseytravel<br>£000's |   | Group<br>£000's | Merseytravel<br>£000's |          |
|                 |                        | <b>Operating Activities</b>   |                 |                        |          |
| 9,090           | 8,887                  | Net surplus/(deficit) on the provision of services  | (847)           | (1,295)                | 27       |
|                 |                        | <i>Adjustments to net surplus or deficit on the provision of services for non cash movements:</i>   |                 |                        |          |
| 8,260           | 8,070                  | Depreciation and impairment of property, plant and equipment  | 5,143           | 4,914                  |          |
| 4,491           | 4,712                  | Increase / (decrease) in trade and other receivables  | (1,799)         | (2,011)                |          |
| (86)            | 12                     | Increase / (decrease) in inventories  | 34              | (13)                   |          |
| (1,864)         | (2,347)                | (Increase) / decrease in trade and other payables   | 4,198           | 4,890                  |          |
| (295)           | (277)                  | Movement in provisions  | (108)           | (63)                   |          |
|                 |                        | <i>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</i> |                 |                        |          |
| 223             | 223                    | Transfer from pension reserve   | 1,931           | 1,931                  |          |
| <b>19,819</b>   | <b>19,280</b>          | <b>Net cash flow from operating activities</b>  | <b>8,552</b>    | <b>8,353</b>           |          |
|                 |                        | <b>Investing Activities</b>   |                 |                        |          |
| (3,880)         | (3,496)                | Purchase of property, plant and equipment and intangible assets   | (3,084)         | (3,000)                |          |
| 82              | 82                     | Proceeds from the sale of property, plant and equipment and intangible assets   | 51              | 51                     |          |
| 0               | 0                      | Loans Advanced  | 0               | 0                      |          |
| 21              | 156                    | Loan payments received  | 19              | 160                    |          |
| <b>(3,777)</b>  | <b>(3,258)</b>         | <b>Net cash flows from investing activities</b>   | <b>(3,014)</b>  | <b>(2,789)</b>         |          |
|                 |                        | <b>Financing Activities</b>   |                 |                        |          |
| 185             | 185                    | Other receipts from financing activities  | 179             | 179                    |          |
| (128)           | (128)                  | Repayment of internal loans*  | (134)           | (134)                  |          |
| 0               | 0                      | Repayment of loan to ITA/LCRCA  | 0               | 0                      |          |
| (5,400)         | (5,400)                | Advance of loan to ITA/LCRCA  | (3,100)         | (3,100)                |          |
| 0               | 0                      | Repayment of short term and long term borrowing   | 0               | 0                      |          |
| (185)           | (185)                  | Other payments for financing activities   | (179)           | (179)                  |          |
| <b>(5,528)</b>  | <b>(5,528)</b>         | <b>Net cash flows from financing activities</b>   | <b>(3,234)</b>  | <b>(3,234)</b>         |          |
| 10,514          | 10,494                 | <b>Net increase/(decrease) in cash and cash equivalents</b>   | 2,304           | 2,330                  |          |
| 35,909          | 35,782                 | Cash and cash equivalents as at 1 April   | 46,423          | 46,276                 |          |
| <b>46,423</b>   | <b>46,276</b>          | <b>Cash and cash equivalents as at 31 March</b>   | <b>48,727</b>   | <b>48,606</b>          |          |

\* This is in respect of repayment of internal group loans. Notes from page 27 onwards form part of these accounts.

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**1. Summary of Significant Accounting Policies**

The accounts have been prepared in accordance with the Accounts and Audit (England) Regulations 2015. This requires PTE's to prepare their accounts under CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (The Code) in so far as it is applicable.

The unaudited financial statements were approved and authorised for issue by the Director of Resources on 30<sup>th</sup> June 2016. These financial statements may be amended following audit by KPMG LLP.

**Basis of Preparation**

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

**Group accounts and Basis of Consolidation**

The financial statements comprise the accounts of Merseytravel and its subsidiary and associated undertakings as at 31 March 2016, as listed in note 13.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. These are fully consolidated on a line-by-line from the date that Merseytravel obtains control, until the date that such control ceases. Uniform accounting policies as set out below are used in the preparation of the group accounts.

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

**Interests in subsidiaries and unlisted equity interests**

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

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

**Income**

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

**Lease Income**

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

**Lease expenditure**

Rentals paid under operating leases are charged to expenditure on a straight-line basis over the term of the lease. Lease incentives are recognised over the lease term on a straight line basis.

**Property, Plant and Equipment**

Recognition: Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that future economic benefits or service potential associated with the asset flow to Merseytravel or Group and the cost of the item can be measured reliably. General repair and maintenance costs are recognised in the statement of comprehensive income and expenditure in the period in which they are incurred.

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

Measurement: Assets are initially measured at cost comprising the purchase price, any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and disposal of the asset where considered material.

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

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

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

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

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

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

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

**Capital expenditure and capital financing**

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

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

**Heritage Assets**

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

**Assets held for sale**

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

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

**Impairment of non-financial assets**

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

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

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

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

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

**Goodwill**

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

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

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

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

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

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

**Inventories**

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

**Financial Assets**

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

Subsequent measurement depends on their classification as follows:

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

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

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

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

**Financial Liabilities**

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

**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 2016. Where the actual amount has not yet been determined, the amount provided is estimated on the basis of the latest available information.

**Provisions, Contingent Liabilities and Contingent Assets**

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

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

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

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

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

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

**Pensions**

Merseytravel participates in a defined benefit pension scheme, the assets of which are held separately in an independently administered fund. The funds are valued every three years by a professionally qualified independent actuary.

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

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

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

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

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

Pension costs were charged to the CIES in line with IAS 19 (The Code Chapter 6.4) (Employee Benefits). The effect of transfers in the movement in reserves is that the general fund is charged with the employers contributions with the balance between this and the amount charged to the CIES being charged or credited to the Pension Reserve. For further details on Pensions please refer to note 23.

**Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

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



**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

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

**Material Items**

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

**Value Added Tax**

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

**Reserves**

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

**Support Service Allocation**

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

**Accruals of income and expenditure**

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

**Events after the Balance Sheet Date**

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

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

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

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

There have been a number of minor changes to existing accounting standards, that will be adopted by the Code in 2016/17 and will be applicable to the Executive from 1<sup>st</sup> April 2016, which have minimal impact upon the accounts:

- IAS 1 Presentation of Financial Statements – under the IAS Board Disclosure Initiative
- IAS 24 Related Party Disclosures – in relation to key management personnel
- IFRS 8 Operating Segments – aggregation of operating segments and reconciliation of the total reportable segments assets to the entity's assets as a result of the Annual Improvements to IFRSs 2010 – 2012.
- IFRS 11 Joint Arrangements Accounting for Acquisitions of interest in Joint Operations

In 2016/17 there will be changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of a new Expenditure and Funding Analysis. This will require a restating of the 2015-16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

### **3. Significant accounting judgements, estimates and assumptions**

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

#### **Judgements**

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

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

#### **Estimates and Assumptions**

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

*Property revaluation:* Merseytravel carries certain assets at fair value. Periodically, external revaluations are used and the last independent survey was carried out in March 2014. Between independent surveys, reviews are carried out by internal but qualified staff. Such valuations and any related estimates are subject to some sensitivity.

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

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

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

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

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

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

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

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

|                                  | Ferry and tourism services | Bus services    | Rail services  | Prepaid and travel concessions | Others services | Total segments  | Inter departmental charges, depreciation and pensions | Non distributed costs | Cost of services reported in CIES |
|----------------------------------|----------------------------|-----------------|----------------|--------------------------------|-----------------|-----------------|---|-----------------------|-----------------------------------|
| <b>Group Income 2014/15</b>      | <b>£000's</b>              | <b>£000's</b>   | <b>£000's</b>  | <b>£000's</b>                  | <b>£000's</b>   | <b>£000's</b>   | <b>£000's</b>   | <b>£000's</b>         | <b>£000's</b>                     |
| Fees charges and service income  | 8,230                      | 10,203          | 19,800         | 25,593                         | 31,415          | 95,241          | (20,973)  | 0                     | 74,268                            |
| Government grant income          | 0                          | 0               | 95,438         | 0                              | 0               | 95,438          | 0   | 0                     | 95,438                            |
| Other grant income               | 700                        | 0               | 0              | 0                              | 0               | 700             | 0   | 0                     | 700                               |
| <b>Total income</b>              | <b>8,930</b>               | <b>10,203</b>   | <b>115,238</b> | <b>25,593</b>                  | <b>31,415</b>   | <b>191,379</b>  | <b>(20,973)</b>                                       | <b>0</b>              | <b>170,406</b>                    |
| <b>Group Expenditure 2014/15</b> |                            |                 |                |                                |                 |                 |   |                       |                                   |
| Franchises and operators         | 0                          | 23,260          | 93,969         | 80,001                         | 0               | 197,230         | 0   | 0                     | 197,230                           |
| Support services                 | 1,732                      | 1,410           | 1,038          | 1,810                          | 39,416          | 45,406          | (20,973)  | 0                     | 24,433                            |
| Depreciation and impairment      | 0                          | 0               | 0              | 0                              | 0               | 0               | 8,236   | 0                     | 8,236                             |
| Pension costs                    | 0                          | 0               | 0              | 0                              | 0               | 0               | 4,452   | 3,915                 | 8,367                             |
| Provisions                       | 0                          | 0               | 0              | 0                              | 0               | 0               | 0   | 262                   | 262                               |
| Other expenses                   | 8,227                      | 3,837           | 18,673         | 0                              | 0               | 30,737          | 0   | 14,971                | 45,708                            |
| <b>Total expenditure</b>         | <b>9,959</b>               | <b>28,507</b>   | <b>113,680</b> | <b>81,811</b>                  | <b>39,416</b>   | <b>273,373</b>  | <b>(8,285)</b>  | <b>19,148</b>         | <b>284,236</b>                    |
| <b>Net cost of services</b>      | <b>(1,029)</b>             | <b>(18,304)</b> | <b>1,558</b>   | <b>(56,218)</b>                | <b>(8,001)</b>  | <b>(81,994)</b> | <b>(12,688)</b>                                       | <b>(19,148)</b>       | <b>(113,830)</b>                  |
|                                  | 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 |
| <b>Group Income 2015/16</b>      | <b>£000's</b>              | <b>£000's</b>   | <b>£000's</b>  | <b>£000's</b>                  | <b>£000's</b>   | <b>£000's</b>   | <b>£000's</b>   | <b>£000's</b>         | <b>£000's</b>                     |
| Fees charges and service income  | 9,069                      | 7,805           | 19,400         | 23,045                         | 25,913          | 85,232          | (19,211)  |                       | 66,021                            |
| Government grant income          | 0                          |                 | 81,522         | 0                              |                 | 81,522          |   |                       | 81,522                            |
| Other grant income               | 0                          |                 |                | 0                              |                 | 0               |   |                       | 0                                 |
| <b>Total income</b>              | <b>9,069</b>               | <b>7,805</b>    | <b>100,922</b> | <b>23,045</b>                  | <b>25,913</b>   | <b>166,754</b>  | <b>(19,211)</b>                                       | <b>0</b>              | <b>147,543</b>                    |
| <b>Group Expenditure 2015/16</b> |                            |                 |                |                                |                 |                 |   |                       |                                   |
| Franchises and operators         | 0                          | 21,708          | 80,071         | 77,805                         |                 | 179,584         |   |                       | 179,584                           |
| Support services                 | 1,836                      | 2,047           | 713            | 1,017                          | 34,534          | 40,147          | (19,211)  |                       | 20,936                            |
| Depreciation and impairment      |                            |                 |                | 0                              |                 | 0               | 5,005   |                       | 5,005                             |
| Pension costs                    |                            |                 |                | 0                              |                 | 0               | 5,178   | 3,875                 | 9,053                             |
| Provisions                       |                            |                 |                | 0                              |                 | 0               |   | 94                    | 94                                |
| Other expenses                   | 8,204                      | 3,244           | 19,703         | 0                              |                 | 31,151          |   | 9,146                 | 40,297                            |
| <b>Total</b>                     | <b>10,040</b>              | <b>26,999</b>   | <b>100,487</b> | <b>78,822</b>                  | <b>34,534</b>   | <b>250,882</b>  | <b>(9,028)</b>  | <b>13,115</b>         | <b>254,969</b>                    |
| <b>Net cost of services</b>      | <b>(971)</b>               | <b>(19,194)</b> | <b>435</b>     | <b>(55,777)</b>                | <b>(8,621)</b>  | <b>(84,128)</b> | <b>(10,183)</b>                                       | <b>(13,115)</b>       | <b>(107,426)</b>                  |

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

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

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

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

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

| 2014/15           |                |                  | Group Accounts                                    | 2015/16           |                |                  | Note No |
|-------------------|----------------|------------------|---|-------------------|----------------|------------------|---------|
| Gross Expenditure | Gross Income   | Net Expenditure  |   | Gross Expenditure | Gross Income   | Net Expenditure  |         |
| £000's            | £000's         | £000's           |   | £000's            | £000's         | £000's           |         |
| 9,959             | 8,930          | 1,029            | Mersey Ferries Group                              | 10,040            | 9,069          | 971              |         |
| 28,507            | 10,203         | 18,304           | Bus Services                                      | 26,999            | 7,805          | 19,194           |         |
| 113,680           | 115,238        | (1,558)          | Rail Services (including Rolling Stock)           | 100,487           | 100,922        | (435)            |         |
| 81,811            | 25,593         | 56,218           | Prepaid and Concessionary Travel                  | 78,822            | 23,045         | 55,777           |         |
| 39,416            | 31,415         | 8,001            | Other Services                                    | 34,534            | 25,913         | 8,621            |         |
| (20,973)          | (20,973)       | 0                | Interdepartmental Charges                         | (19,211)          | (19,211)       | 0                |         |
| 8,236             | 0              | 8,236            | Depreciation & Impairment                         | 5,005             | 0              | 5,005            |         |
| 4,452             | 0              | 4,452            | Pensions: Current service costs & curtailments    | 5,178             | 0              | 5,178            |         |
| <b>265,088</b>    | <b>170,406</b> | <b>94,682</b>    | <b>Highways &amp; Transport services</b>          | <b>241,854</b>    | <b>147,543</b> | <b>94,311</b>    |         |
| 262               | 0              | 262              | Transfers to provisions                           | 94                | 0              | 94               |         |
| 3,915             | 0              | 3,915            | Pensions Special Contributions                    | 3,875             | 0              | 3,875            | 23      |
| 14,971            | 0              | 14,971           | Revenue expenditure treated as capital            | 9,146             | 0              | 9,146            | 11      |
| <b>19,148</b>     | <b>0</b>       | <b>19,148</b>    | <b>Non distributed costs</b>                      | <b>13,115</b>     | <b>0</b>       | <b>13,115</b>    |         |
| <b>284,236</b>    | <b>170,406</b> | <b>113,830</b>   | <b>Cost of services</b>                           | <b>254,969</b>    | <b>147,543</b> | <b>107,426</b>   |         |
| 3,006             | 0              | 3,006            | Pensions: Net Interest                            | 3,166             | 0              | 3,166            | 23      |
| 185               | 233            | (48)             | Interest Payable/Receivable                       | 179               | 179            | 0                |         |
| 35                | 0              | 35               | Taxation  | 133               | 0              | 133              | 8       |
| <b>3,226</b>      | <b>233</b>     | <b>2,993</b>     | <b>Financing &amp; investment income</b>          | <b>3,478</b>      | <b>179</b>     | <b>3,299</b>     |         |
| 0                 | 2              | (2)              | European Union Grants                             | 0                 | 0              | 0                |         |
| 0                 | 18,589         | (18,589)         | Other Income - Grants applied                     | 0                 | 12,138         | (12,138)         |         |
| 0                 | 4,866          | (4,866)          | - LSTF, BSOG, etc.                                | 0                 | 1,975          | (1,975)          |         |
| 0                 | 102,456        | (102,456)        | Revenue Support Grant from MITALCRCA              | 0                 | 95,765         | (95,765)         |         |
| <b>0</b>          | <b>125,913</b> | <b>(125,913)</b> | <b>Taxation &amp; non specific grant income</b>   | <b>0</b>          | <b>109,878</b> | <b>(109,878)</b> |         |
| <b>287,462</b>    | <b>296,552</b> | <b>(9,090)</b>   | <b>(Surplus)/Deficit on Provision of Services</b> | <b>258,447</b>    | <b>257,600</b> | <b>847</b>       |         |

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

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

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

| 2014/15           |                |                  |   | 2015/16           |                |                  |         |
|-------------------|----------------|------------------|---|-------------------|----------------|------------------|---------|
| Gross Expenditure | Gross Income   | Net Expenditure  | MERSEYTRAVEL                                      | Gross Expenditure | Gross Income   | Net Expenditure  | Note No |
| £000's            | £000's         | £000's           |   | £000's            | £000's         | £000's           |         |
| 28,507            | 10,203         | 18,304           | Bus Services                                      | 26,999            | 7,805          | 19,194           |         |
| 99,951            | 97,255         | 2,696            | Rail Services                                     | 86,797            | 83,370         | 3,427            |         |
| 81,811            | 25,593         | 56,218           | Concessionary Travel                              | 78,822            | 23,045         | 55,777           |         |
| 40,902            | 37,152         | 3,750            | Other Services                                    | 35,967            | 31,214         | 4,753            |         |
|                   |                |                  | Grants to:  |                   |                |                  |         |
| 1,449             | 0              | 1,449            | Mersey Ferries Ltd                                | 1,768             | 0              | 1,768            |         |
| 0                 | 0              | 0                | Mersey Passenger Transport Services Ltd           | 0                 | 0              | 0                |         |
| (16,919)          | (16,919)       | 0                | Inter departmental charges                        | (14,858)          | (14,858)       | 0                |         |
| 8,044             | 0              | 8,044            | Depreciation & Impairment                         | 4,776             | 0              | 4,776            |         |
| 4,452             | 0              | 4,452            | Pensions: Current service costs & curtailments    | 5,178             | 0              | 5,178            |         |
| <b>248,197</b>    | <b>153,284</b> | <b>94,913</b>    | <b>Highways &amp; Transport Services</b>          | <b>225,449</b>    | <b>130,576</b> | <b>94,873</b>    |         |
|                   |                |                  |   |                   |                |                  |         |
| 262               | 0              | 262              | Transfers to provisions                           | 94                | 0              | 94               |         |
| 3,915             | 0              | 3,915            | Pensions: Special contributions                   | 3,875             | 0              | 3,875            | 23      |
| 14,971            | 0              | 14,971           | Revenue expenditure treated as Capital            | 9,146             | 0              | 9,146            | 11      |
| <b>19,148</b>     | <b>0</b>       | <b>19,148</b>    | <b>Non distributed costs</b>                      | <b>13,115</b>     | <b>0</b>       | <b>13,115</b>    |         |
| <b>267,345</b>    | <b>153,284</b> | <b>114,061</b>   | <b>Cost of services</b>                           | <b>238,564</b>    | <b>130,576</b> | <b>107,988</b>   |         |
|                   |                |                  |   |                   |                |                  |         |
| 3,006             | 0              | 3,006            | Pensions: Net Interest                            | 3,166             | 0              | 3,166            | 23      |
| 185               | 233            | (48)             | Interest Payable/Receivable                       | 179               | 179            | 0                |         |
| 7                 | 0              | 7                | Taxation  | 19                | 0              | 19               | 8       |
| <b>3,198</b>      | <b>233</b>     | <b>2,965</b>     | <b>Financing &amp; investment income</b>          | <b>3,364</b>      | <b>179</b>     | <b>3,185</b>     |         |
|                   |                |                  |   |                   |                |                  |         |
| 0                 | 2              | (2)              | European Union Grants                             | 0                 | 0              | 0                |         |
| 0                 | 18,589         | (18,589)         | Other Income - Grants applied                     | 0                 | 12,138         | (12,138)         |         |
| 0                 | 4,866          | (4,866)          | - LSTF, BSOG, etc                                 | 0                 | 1,975          | (1,975)          |         |
| 0                 | 102,456        | (102,456)        | Revenue Support Grant from MITA/LCRA              | 0                 | 95,765         | (95,765)         |         |
| <b>0</b>          | <b>125,913</b> | <b>(125,913)</b> | <b>Taxation &amp; non specific grant income</b>   | <b>0</b>          | <b>109,878</b> | <b>(109,878)</b> |         |
|                   |                |                  |   |                   |                |                  |         |
| <b>270,543</b>    | <b>279,430</b> | <b>(8,887)</b>   | <b>(Surplus)/Deficit on Provision of Services</b> | <b>241,928</b>    | <b>240,633</b> | <b>1,295</b>     |         |

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

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**5. Surplus on the Provision of Services**

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

|  | Group             |                   | Merseytravel      |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2015/16<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2014/15<br>£000's |
| Grant income:  |                   |                   |                   |                   |
| Rail services – Special Rail Grant                                   | 81,522            | 95,438            | 81,522            | 95,438            |
| Revenue Grant  | 95,765            | 102,456           | 95,765            | 102,456           |
| Capital grants   | 12,138            | 18,589            | 12,138            | 18,589            |
| European grants  | 0                 | 2                 | 0                 | 2                 |
| Depreciation of property, plant and equipment (including impairment) | 4,776             | 8,044             | 4,776             | 8,044             |
| Operating leases - minimum lease payments                            | 12,193            | 12,158            | 0                 | 0                 |
| Auditors' remuneration *   | 60                | 68                | 38                | 50                |
| Pension costs  | 8,446             | 7,561             | 8,446             | 7,561             |

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

**(b) Auditor's remuneration**

KPMG Audit fees for Merseytravel accounts are £38k for 2015/16 (£50k 2014/15).

**6. Staff costs and headcount**

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

|   | Group           |                 | Merseytravel    |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2015/16<br>No's | 2014/15<br>No's | 2015/16<br>No's | 2014/15<br>No's |
| Analysis:- Operations   | 455             | 492             | 334             | 380             |
| Catering/Retail   | 34              | 50              | 27              | 35              |
| Management and administration                                     | 289             | 277             | 270             | 258             |
| <b>Total</b>  | <b>778</b>      | <b>819</b>      | <b>631</b>      | <b>673</b>      |
| The aggregate payroll cost for current employees was as follows:- |                 |                 |                 |                 |
| Salaries and Wages  | 22,363          | 22,511          | 19,781          | 21,364          |
| National Insurance  | 1,635           | 1,664           | 1,478           | 1,579           |
| Superannuation *  | 2,942           | 2,972           | 2,722           | 2,972           |
| <b>Total</b>  | <b>26,940</b>   | <b>27,147</b>   | <b>23,981</b>   | <b>25,915</b>   |

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

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Staff costs and headcount (continued)**

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

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

| Post Title  | Year    | Salary  | Allowances | Compensation for loss of office | Pension contributions | Total remuneration |
|---|---------|---------|------------|---------------------------------|-----------------------|--------------------|
|   |         | £       | £          | £                               | £                     | £                  |
| Chief Executive/Director General<br>David Brown*              | 2014/15 | 150,707 | 2,236      | -                               | 21,790                | 174,733            |
|   | 2015/16 | 93,135  | 2,714      | -                               | 13,219                | 109,068            |
| Director of Resources   | 2014/15 | 96,694  | -          | -                               | 13,924                | 110,618            |
|   | 2015/16 | 102,310 | -          | -                               | 14,743                | 117,053            |
| Director of Integrated Transport (& Deputy Chief Executive)** | 2014/15 | 125,072 | 1,436      | -                               | 18,010                | 144,518            |
|   | 2015/16 | 132,203 | 2,341      | -                               | 19,037                | 153,582            |
| Director of Corporate Development                             | 2014/15 | 104,761 | -          | -                               | 15,085                | 119,846            |
|   | 2015/16 | 106,480 | 457        | -                               | 15,333                | 122,270            |

\* Resigned 8/11/15

\*\* Appointed Interim Chief Executive and Director General 9/11/15

Merseytravel's employees, other than Directors disclosed above, receiving more than £50,000 remuneration for the year, are in the following table:

|                      | Group   |         | Merseytravel |         |
|----------------------|---------|---------|--------------|---------|
|                      | 2015/16 | 2014/15 | 2015/16      | 2014/15 |
| £50,000 to £54,999   | 17      | 17      | 17           | 17      |
| £55,000 to £59,999   | 16      | 15      | 16           | 15      |
| £60,000 to £64,999   | 10      | 10      | 10           | 10      |
| £65,000 to £69,999   | 2       | 1       | 2            | 1       |
| £70,000 to £74,999   | 1       | 4       | 1            | 4       |
| £75,000 to £79,999   | 5       | 1       | 5            | 1       |
| £80,000 to £84,999   | 0       | 0       | 0            | 0       |
| £85,000 to £89,999   | 0       | 3       | 0            | 3       |
| £90,000 to £94,999   | 3       | 0       | 3            | 0       |
| £95,000 to £99,999   | 2       | 0       | 2            | 0       |
| £100,000 to £104,999 | 0       | 0       | 0            | 0       |
| £105,000 to £109,999 | 1       | 1       | 1            | 1       |
| £140,000 to £144,999 | 0       | 1       | 0            | 1       |
| £145,000 to £149,999 | 1       | 0       | 1            | 0       |

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Staff costs and headcount (continued)**

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

| Merseytravel 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 |            |
|---|-----------------------------------|----------|-----------------------------------|----------|-------------------------------|----------|--|------------|
|   | 2015/16                           | 2014/15  | 2015/16                           | 2014/15  | 2015/16                       | 2014/15  | 2015/16                                  | 2014/15    |
|   | No.                               | No.      | No.                               | No.      | No.                           | No.      | £000                                     | £000       |
| £0 -£20,000                               | 5                                 | 0        | 4                                 | 2        | 9                             | 2        | 85                                       | 18         |
| £20,001 - £40,000                         | 0                                 | 0        | 2                                 | 4        | 2                             | 4        | 68                                       | 135        |
| £40,001 - £60,000                         | 0                                 | 0        | 1                                 | 1        | 1                             | 1        | 59                                       | 60         |
| £60,001 -£80,000                          | 0                                 | 0        | 0                                 | 1        | 0                             | 1        | 0  | 68         |
| £80,001 - £100,000                        | 0                                 | 0        | 0                                 | 0        | 0                             | 0        | 0  | 0          |
| £100,001 - £150,000                       | 0                                 | 0        | 0                                 | 0        | 0                             | 0        | 0  | 0          |
| <b>Total</b>                              | <b>5</b>                          | <b>0</b> | <b>7</b>                          | <b>8</b> | <b>12</b>                     | <b>8</b> | <b>212</b>                               | <b>281</b> |

**7. Finance Costs – Interest Payable**

|                                    | Group             |                   | Merseytravel      |                   |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                    | 2015/16<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2014/15<br>£000's |
| On loan capital – other            | 0                 | 0                 |                   | 0                 |
| On inter company loan (MITA/LCRCA) | 0                 | 0                 |                   | 185               |
| On pension scheme                  | 10,632            | 12,610            | 10,632            | 12,610            |
|                                    | <b>10,632</b>     | <b>12,610</b>     | <b>10,632</b>     | <b>12,795</b>     |

**Finance Income – Interest Receivable**

|                                    | Group             |                   | Merseytravel      |                   |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                    | 2015/16<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2014/15<br>£000's |
| From short-term loans and deposits | 0                 | 0                 | 0                 | 0                 |
| On inter company loan (TBS)        | 0                 | 0                 | 0                 | 185               |
| On pension scheme                  | 7,466             | 9,604             | 7,466             | 9,604             |
|                                    | <b>7,466</b>      | <b>9,604</b>      | <b>7,466</b>      | <b>9,789</b>      |

**8. Taxation**

Corporation tax is chargeable on interest received and rental income in the year at a rate of 20% for 2015/16 and 21% for 2014/15.

Taxation in the consolidated income and expenditure statement represents taxation paid by the employer for certain employee benefits deemed by HMRC to be taxable and corporation tax payable, 2015/16 £19k (2014/15 £7k).

The Group CIES also includes the net estimated corporation tax payable on the Beatles Story profits £114k, (2014/15 £35k).



**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**9. Property, Plant and Equipment**

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

| Group  | Infrastructure Assets | Freehold Property | Leasehold Property | Plant & Machinery | Vessels      | Ancillary Vehicles | Assets Under Construction | Surplus Assets | Total          |
|--|-----------------------|-------------------|--------------------|-------------------|--------------|--------------------|---------------------------|----------------|----------------|
|  | £000's                | £000's            | £000's             | £000's            | £000's       | £000's             | £000's                    | £000's         | £000's         |
| <b>Cost or valuation:</b>  |                       |                   |                    |                   |              |                    |                           |                |                |
| <b>As at 31 March 2015</b>   | <b>36,147</b>         | <b>10,262</b>     | <b>55,648</b>      | <b>4,309</b>      | <b>4,578</b> | <b>22</b>          | <b>0</b>                  | <b>2,155</b>   | <b>113,121</b> |
| Additions  | 1,308                 | 283               | 664                | 419               | 389          | 0                  | 0                         | 0              | 3,063          |
| Revaluation adjustments  |                       |                   |                    |                   |              |                    |                           |                | 0              |
| Other Movements  |                       |                   |                    |                   |              |                    |                           |                | 0              |
| Assets reclassified to/from assets held for sale                                 |                       |                   |                    |                   |              |                    |                           |                | 0              |
| Disposals  |                       |                   |                    |                   |              |                    |                           | (9)            | (9)            |
| <b>At 31 March 2016</b>  | <b>37,455</b>         | <b>10,545</b>     | <b>56,312</b>      | <b>4,728</b>      | <b>4,967</b> | <b>22</b>          | <b>0</b>                  | <b>2,146</b>   | <b>116,175</b> |
| <b>Depreciation and impairment:</b>  |                       |                   |                    |                   |              |                    |                           |                |                |
| <b>As at 31 March 2015</b>   | <b>7,968</b>          | <b>0</b>          | <b>0</b>           | <b>0</b>          | <b>0</b>     | <b>0</b>           | <b>0</b>                  | <b>0</b>       | <b>7,968</b>   |
| Depreciation   | 1,949                 | 405               | 1,534              | 720               | 336          | 5                  | 0                         | 0              | 4,949          |
| Impairment losses recognised in the Surplus/Deficit on the Provision of Services |                       |                   |                    |                   |              |                    |                           |                | 0              |
| Other Movements  |                       |                   |                    |                   |              |                    |                           |                | 0              |
| <b>At 31 March 2016</b>  | <b>9,917</b>          | <b>405</b>        | <b>1,534</b>       | <b>720</b>        | <b>336</b>   | <b>5</b>           | <b>0</b>                  | <b>0</b>       | <b>12,917</b>  |
| <b>Net Book Value:</b>   |                       |                   |                    |                   |              |                    |                           |                |                |
| At 31 March 2015   | 28,179                | 10,262            | 55,648             | 4,309             | 4,578        | 22                 | 0                         | 2,155          | 105,153        |
| <b>At 31 March 2016</b>  | <b>27,538</b>         | <b>10,140</b>     | <b>54,778</b>      | <b>4,008</b>      | <b>4,631</b> | <b>17</b>          | <b>0</b>                  | <b>2,146</b>   | <b>103,258</b> |

The net book value of land and buildings as at 31 March 2016 comprised long leasehold land and buildings.

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

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

| MERSEYTRAVEL   | Infrastructure Assets | Freehold Property | Leasehold Property | Plant & Machinery | Vessels      | Ancillary Vehicles | Assets Under Construction | Surplus Assets | Total          |
|--|-----------------------|-------------------|--------------------|-------------------|--------------|--------------------|---------------------------|----------------|----------------|
|  | £000's                | £000's            | £000's             | £000's            | £000's       | £000's             | £000's                    | £000's         | £000's         |
| <b>Cost or valuation:</b>  |                       |                   |                    |                   |              |                    |                           |                |                |
| <b>As at 31 March 2015</b>   | <b>36,147</b>         | <b>10,262</b>     | <b>54,977</b>      | <b>3,405</b>      | <b>4,578</b> | <b>22</b>          | <b>0</b>                  | <b>2,155</b>   | <b>111,546</b> |
| Additions  | 1,308                 | 283               | 664                | 335               | 389          | 0                  | 0                         | 0              | 2,979          |
| Revaluation adjustments  |                       |                   |                    |                   |              |                    |                           |                | 0              |
| Other Movements  |                       |                   |                    |                   |              |                    |                           |                | 0              |
| Disposals  |                       |                   |                    |                   |              |                    |                           | (9)            | (9)            |
| Assets reclassified to/from assets held for sale                                 |                       |                   |                    |                   |              |                    |                           |                | 0              |
| <b>At 31 March 2016</b>  | <b>37,455</b>         | <b>10,545</b>     | <b>55,641</b>      | <b>3,740</b>      | <b>4,967</b> | <b>22</b>          | <b>0</b>                  | <b>2,146</b>   | <b>114,516</b> |
| <b>Depreciation and impairment:</b>  |                       |                   |                    |                   |              |                    |                           |                |                |
| <b>As at 31 March 2015</b>   | <b>7,968</b>          | <b>0</b>          | <b>0</b>           | <b>0</b>          | <b>0</b>     | <b>0</b>           | <b>0</b>                  | <b>0</b>       | <b>7,968</b>   |
| Depreciation   | 1,949                 | 405               | 1,491              | 534               | 336          | 5                  | 0                         | 0              | 4,720          |
| Impairment losses recognised in the Surplus/Deficit on the Provision of Services |                       |                   |                    |                   |              |                    |                           |                | 0              |
| Reclassifications  |                       |                   |                    |                   |              |                    |                           |                | 0              |
| Other Movements  |                       |                   |                    |                   |              |                    |                           |                | 0              |
| <b>At 31 March 2016</b>  | <b>9,917</b>          | <b>405</b>        | <b>1,491</b>       | <b>534</b>        | <b>336</b>   | <b>5</b>           | <b>0</b>                  | <b>0</b>       | <b>12,688</b>  |
| <b>Net Book Value:</b>   |                       |                   |                    |                   |              |                    |                           |                |                |
| At 31 March 2015   | 28,179                | 10,262            | 54,977             | 3,405             | 4,578        | 22                 | 0                         | 2,155          | 103,578        |
| <b>At 31 March 2016</b>  | <b>27,538</b>         | <b>10,140</b>     | <b>54,150</b>      | <b>3,206</b>      | <b>4,631</b> | <b>17</b>          | <b>0</b>                  | <b>2,146</b>   | <b>101,828</b> |

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

**Valuation of property, plant and equipment**

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

The cumulative revaluation surplus held in Merseytravel's revaluation reserve at 31 March 2016 was £11.6m (2014/15 £11.6m). The Group position at 31 March 2016 was £11.8m (2014/15 £11.8m).

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

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

**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:-

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

**10. Heritage Assets**

|                          | <b>Merseytravel</b> | <b>Group</b>  |
|--------------------------|---------------------|---------------|
|                          | <b>£000's</b>       | <b>£000's</b> |
| Restated At 1 April 2015 | 326                 | 711           |
| Reclassification         | 0                   | 0             |
| Revaluations             | 0                   | 0             |
| <b>At 31 March 2016</b>  | <b>326</b>          | <b>711</b>    |

In October 2010, a subsidiary of Merseytravel, The Beatles Story was gifted an 18 feet high monumental sculpture to celebrate the life of John Lennon. The statue continues to be displayed in front of Liverpool Echo arena offering unlimited public access. In 2012, the monument was valued for insurance purposes at a replacement cost of £385k by Patrick Bowen Fine Art Consultants. No further valuation was undertaken during 2015/16.

**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.

|   | <b>Group</b>    |                 | <b>Merseytravel</b> |                 |
|---|-----------------|-----------------|---------------------|-----------------|
|   | <b>2015/16</b>  | <b>2014/15</b>  | <b>2015/16</b>      | <b>2014/15</b>  |
|   | <b>£000's</b>   | <b>£000's</b>   | <b>£000's</b>       | <b>£000's</b>   |
| <b>Capital Investment</b>                 |                 |                 |                     |                 |
| Property, plant and equipment             | 3,001           | 3,717           | 3,001               | 3,717           |
| Revenue expenditure treated as capital *  | 9,146           | 14,971          | 9,146               | 14,971          |
|   | <b>12,147</b>   | <b>18,688</b>   | <b>12,147</b>       | <b>18,688</b>   |
| <b>Sources of finance</b>                 |                 |                 |                     |                 |
| Grants receivable in year from MITA/LCRCA | (12,138)        | (18,589)        | (12,138)            | (18,589)        |
| Government grants and other contributions | 0               | 0               | 0                   | 0               |
| Use of reserves etc                       | 0               | (16)            | 0                   | (16)            |
| Use of capital receipts                   | (9)             | (83)            | (9)                 | (83)            |
| <b>Total funding</b>                      | <b>(12,147)</b> | <b>(18,688)</b> | <b>(12,147)</b>     | <b>(18,688)</b> |

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

As at 31 March 2016 Merseytravel was contractually committed to further capital works which amounted to approximately £13.4m (2014/15 £7.4m). For further analysis, please see Note 25.

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**12. Intangible assets**

|   | Goodwill on Consolidation | Licenses   | Fab 4D Film | 2015/16 Total  | Goodwill on Consolidation | Licenses   | Fab 4D Film | 2014/15 Total  |
|---|---------------------------|------------|-------------|----------------|---------------------------|------------|-------------|----------------|
|   | £000's                    | £000's     | £000's      | £000's         | £000's                    | £000's     | £000's      | £000's         |
| <b>Cost or valuation:</b>   |                           |            |             |                |                           |            |             |                |
| <b>Opening balance:</b>   |                           |            |             |                |                           |            |             |                |
| Gross carrying amount   | 2,803                     | 326        | 208         | <b>3,337</b>   | 2,803                     | 319        | 208         | <b>3,330</b>   |
| Reclassification  |                           |            |             | <b>0</b>       |                           |            |             | <b>0</b>       |
| Additions   | 0                         | 21         | 0           | <b>21</b>      | 0                         | 7          | 0           | <b>7</b>       |
| Accumulated amortisation  | (1,108)                   | (209)      | (57)        | <b>(1,374)</b> | (1,108)                   | (150)      | (44)        | <b>(1,302)</b> |
| <b>Opening net carrying amount</b>  | <b>1,695</b>              | <b>138</b> | <b>151</b>  | <b>1,984</b>   | <b>1,695</b>              | <b>176</b> | <b>164</b>  | <b>2,035</b>   |
| <b>Amortisation and impairment:</b>   |                           |            |             |                |                           |            |             |                |
| Impairment losses recognised in the surplus or deficit on the provision of services | 0                         | 0          | 0           | <b>0</b>       | 0                         | 0          | (2)         | <b>(2)</b>     |
| Amortisation  | 0                         | (46)       | (10)        | <b>(56)</b>    | 0                         | (59)       | (11)        | <b>(70)</b>    |
| <b>Net carrying amount at end of year</b>   | <b>1,695</b>              | <b>92</b>  | <b>141</b>  | <b>1,928</b>   | <b>1,695</b>              | <b>117</b> | <b>151</b>  | <b>1,963</b>   |
| <b>Comprising:</b>  |                           |            |             |                |                           |            |             |                |
| Gross carrying amount   | 2,803                     | 347        | 208         | <b>3,358</b>   | 2,803                     | 326        | 208         | <b>3,337</b>   |
| Accumulated amortisation  | (1,108)                   | (255)      | (67)        | <b>(1,430)</b> | (1,108)                   | (209)      | (57)        | <b>(1,374)</b> |
|   | <b>1,695</b>              | <b>92</b>  | <b>141</b>  | <b>1,928</b>   | <b>1,695</b>              | <b>117</b> | <b>151</b>  | <b>1,963</b>   |

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

Merseytravel carried out an annual impairment test of goodwill as at 31 March 2016. 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 2018/19 year period is 3% (2014/15 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 2015/16.

**13. Investments**

| Merseytravel            | Loans<br>£000's | Investment in companies<br>£000's | Total<br>£000's |
|-------------------------|-----------------|-----------------------------------|-----------------|
| At 1 April 2014         | 3,786           | 0                                 | 3,786           |
| Additions               | 0               | 0                                 | 0               |
| Repayments of capital   | (128)           | 0                                 | (128)           |
| Impairments             | 0               | 0                                 | 0               |
| At 31 March 2015        | 3,658           | <b>0</b>                          | 3,658           |
| Additions               | 0               | 0                                 | 0               |
| Repayments of capital   | (134)           | 0                                 | (134)           |
| Revaluations            | 0               | 0                                 | 0               |
| <b>At 31 March 2016</b> | <b>3,524</b>    | <b>0</b>                          | <b>3,524</b>    |

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

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Investments** (continued)

Merseytravel's principal trading subsidiary undertakings and equity shareholdings in unlisted companies, all of which are incorporated in England, as at 31 March 2016 are shown in the table below.

| Name                                       | Immediate parent   | Holding   | Nature of the business        | %equity interest 2016 | %equity interest 2015 |
|--|--------------------|---|-------------------------------|-----------------------|-----------------------|
| Mersey Ferries Ltd                         | Merseytravel       | Company limited by guarantee                              | Passenger Transport           | N/A*                  | N/A*                  |
| Merseyside Passenger Transport Service Ltd | Merseytravel       | 25 £1 Ord. Shares<br>375 £1 5% Non Cumulative Pref shares | Leasing                       | 100                   | 100                   |
| Real Time Information Group Limited        | Merseytravel       | 1 £1 Ord Shares   | Real Time Information systems | 100                   | 100                   |
| Accrington Technologies Ltd                | Merseytravel       | 500 £1 Ord Shares   | Smartcard                     | 50.1                  | 50.1                  |
| The Beatles Story Ltd                      | Mersey Ferries Ltd | 290,000 £1 Ord Shares                                     | Tourism                       | 100                   | 100                   |

**Dormant companies**

Merseytravel Ltd is a wholly owned subsidiary that was dormant in the year ended 31 March 2016.

**Group**

Group accounts consolidate the results of all active subsidiaries.

Global Smart Media had 253,324 shares in STG. In 2015/16 GSM as a minority shareholder where offered a cash price of £4.3325 per STG share held in cash, or one share in Acre 1144, or a combination at the choice of the shareholder. STG as a company had over a number of years reported financial losses, as a result of which the shareholding was considered to be of nil value in recent year's company accounts. The Board of GSM therefore opted to take cash and realised a face value return of £1,098k to the Company.

**14. Assets held for sale**

|   | Group             |                   | Merseytravel      |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 2015/16<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2014/15<br>£000's |
| <b>Balance outstanding at the start of the year</b> | 180               | 0                 | 180               | 0                 |
| Assets newly classified as held for sale:           | 0                 | 180               | 0                 | 180               |
| Former MPTE Headquarters building                   | 0                 | 0                 | 0                 | 0                 |
| Assets sold   | (180)             | 0                 | (180)             | 0                 |
| <b>Balance outstanding at the year end</b>          | <b>0</b>          | <b>180</b>        | <b>0</b>          | <b>180</b>        |

As at 31 March 2016, Merseytravel had no assets held for sale. Non-operational tram rails were sold in year.

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Assets held for sale** (continued)

**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 2016, this was a £51k surplus relating to the sale of non-operational tram rails.

**15. Inventories**

|   | Group      |            | Merseytravel |           |
|---|------------|------------|--------------|-----------|
|   | 2015/16    | 2014/15    | 2015/16      | 2014/15   |
|   | £000's     | £000's     | £000's       | £000's    |
| <b>Balance outstanding at the start of the year</b> | 501        | 415        | 42           | 54        |
| Purchases   |            |            |              |           |
| Recognised as an expense in the year                | (34)       | 86         | 13           | (12)      |
| Written off in the year                             |            |            |              |           |
| <b>Balance outstanding at the year end</b>          | <b>467</b> | <b>501</b> | <b>55</b>    | <b>42</b> |

**16. Debtors**

(a) Amounts falling due within one year:

|  | Group         |               | Merseytravel  |               |
|--|---------------|---------------|---------------|---------------|
|  | 2015/16       | 2014/15       | 2015/16       | 2014/15       |
|  | £000's        | £000's        | £000's        | £000's        |
| Central Government Bodies                        | 1,959         | 2,281         | 1,823         | 2,213         |
| Other Local Authorities                          | 33,540        | 33,031        | 33,532        | 33,025        |
| NHS bodies                                       | 26            | 14            | 26            | 14            |
| Public Corporations and Trading Funds            | 0             | 0             | 0             | 0             |
| Other entities and individuals                   | 13,058        | 7,260         | 12,926        | 6,846         |
| <b>Total current trade and other receivables</b> | <b>48,583</b> | <b>42,586</b> | <b>48,307</b> | <b>42,098</b> |

“Other Local Authorities” includes £30,200k (2015 £27,100k) provided to Merseytravel's parent LCRCA for investment on behalf of Merseytravel.

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

At 31 March 2016, Merseytravel had trade receivables at a nominal value of £992k (2015: £711k). Group trade receivables at 31 March 2016 were £1,120k (2015 £1,082k). Movements in the provision for impairment of receivables were as follows:

| Bad debt provision       | Group     |            | Merseytravel |           |
|--------------------------|-----------|------------|--------------|-----------|
|                          | 2015/16   | 2014/15    | 2015/16      | 2014/15   |
|                          | £000's    | £000's     | £000's       | £000's    |
| Opening provision        | 305       | 309        | 44           | 47        |
| Amounts written off      | (248)     | (32)       | (22)         | (29)      |
| Amounts recovered        | (47)      | (1)        | (15)         | (1)       |
| Amounts provided in year | 3         | 29         | 0            | 27        |
| Closing provision        | <b>13</b> | <b>305</b> | <b>7</b>     | <b>44</b> |

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Debtors (continued)**

As at 31 March 2016, Merseytravel aged analysis of non-impaired trade debtors was as follows:

|                 | Total<br>£000 | Neither overdue        | Past due but not impaired |                      |                       |                     |
|-----------------|---------------|------------------------|---------------------------|----------------------|-----------------------|---------------------|
|                 |               | nor impaired<br>£000's | 29-50 days<br>£000's      | 51-90 days<br>£000's | 91-185 days<br>£000's | >186 days<br>£000's |
| 31st March 2016 | 992           | 770                    | 163                       | 48                   | 4                     | 7                   |
| 31st March 2015 | 667           | 526                    | 114                       | 22                   | 2                     | 3                   |

(b) Long-term Debtors

| Loans              | Group      |            | Merseytravel |              |
|--------------------|------------|------------|--------------|--------------|
|                    | 2015/16    | 2014/15    | 2015/16      | 2014/15      |
|                    | £000's     | £000's     | £000's       | £000's       |
| Rechargeable works | 687        | 687        | 687          | 687          |
| Loan to restaurant | 68         | 88         | 68           | 88           |
| Other loans        | 3          | 2          | 3,386        | 3,526        |
|                    | <b>758</b> | <b>777</b> | <b>4,141</b> | <b>4,301</b> |

The loan to restaurant is to the owners of the Pier Head's Matou Pan Asian Restaurant to assist in the fit-out of the restaurant and is repayable over 10 years. Rechargeable works relate to costs recoverable for the construction of the bus station at Liverpool 1. A provision of £687k has been made, (note 19) should they become irrecoverable. Other loans relates to a loan to Mersey Ferries Limited, for the acquisition of the Beatles Story. This is payable in equal instalments of principal and interest until 2032/33. Principal repayments in 2015/16 were £134k (2014/15 £128k).

**17. Cash and cash equivalents**

|                          | Group   |         | Merseytravel |         |
|--------------------------|---------|---------|--------------|---------|
|                          | 2015/16 | 2014/15 | 2015/16      | 2014/15 |
|                          | £000's  | £000's  | £000's       | £000's  |
| Cash at bank and in hand | 48,727  | 46,423  | 48,606       | 46,276  |

Merseytravel deposits surplus cash funds with the LCRCA, which in turn deposits these for periods between one day and twelve months depending on the immediate cash requirements of Merseytravel and LCRCA.

LCRCA earns variable rates of interest, but none is due Merseytravel.

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**18. Short term creditors**

|                                     | Group             |                   | Merseytravel      |                   |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | 2015/16<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2014/15<br>£000's |
| <b>Creditors due within 1 year:</b> |                   |                   |                   |                   |
| Central Government Bodies           | 1,567             | 732               | 1,325             | 555               |
| Other Local Authorities             | 1,296             | 1,037             | 1,281             | 1,025             |
| Public corporations                 | 10                | 0                 | 10                | 0                 |
| Other Entities and Individuals      | 20,685            | 17,583            | 21,556            | 17,702            |
|                                     | <b>23,558</b>     | <b>19,352</b>     | <b>24,172</b>     | <b>19,282</b>     |

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

|                                       | Merseytravel |         |
|---------------------------------------|--------------|---------|
|                                       | 2015/16      | 2014/15 |
| Total number of invoices paid         | 18,086       | 19,932  |
| Invoices paid within 30 days          | 17,319       | 19,266  |
| Actual proportion paid within 30 days | 95.8%        | 96.7%   |
| Target                                | 100%         | 100%    |

**19. Provisions**

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

| Group                        | Total        | Contractual Obligations | Employment Related | Contracted Maintenance | Taxation |
|------------------------------|--------------|-------------------------|--------------------|------------------------|----------|
|                              | £000's       | £000's                  | £000's             | £000's                 | £000's   |
| At 1 April 2015              | 2,459        | 1,317                   | 561                | 581                    | 0        |
| Arising during the year      | 212          | 4                       | 208                | 0                      | 0        |
| Utilised during the year     | (320)        | (108)                   | (212)              | 0                      | 0        |
| Unused amounts reversed      | 0            | 0                       | 0                  | 0                      | 0        |
| <b>At 31 March 2016</b>      | <b>2,351</b> | <b>1,213</b>            | <b>557</b>         | <b>581</b>             | <b>0</b> |
| Analysed as:                 |              |                         |                    |                        |          |
| Due within one year          | 182          | 15                      | 167                | 0                      | 0        |
| Due after more than one year | 2,169        | 1,198                   | 390                | 581                    | 0        |



**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Provisions (continued)**

| <b>Merseytravel</b>          | <b>Total</b>  | <b>Contractual Obligations</b> | <b>Employment Related</b> | <b>Contracted Maintenance</b> |
|------------------------------|---------------|--------------------------------|---------------------------|-------------------------------|
|                              | <b>£000's</b> | <b>£000's</b>                  | <b>£000's</b>             | <b>£000's</b>                 |
| At 1 April 2015              | 2,354         | 874                            | 562                       | 918                           |
| Arising during the year      | 212           | 4                              | 208                       | 0                             |
| Utilised during the year     | (275)         | (63)                           | (212)                     | 0                             |
| <b>At 31 March 2016</b>      | <b>2,291</b>  | <b>815</b>                     | <b>558</b>                | <b>918</b>                    |
| Analysed as:                 |               |                                |                           |                               |
| Due within one year          | <b>167</b>    | 0                              | 167                       | 0                             |
| Due after more than one year | <b>2,124</b>  | 815                            | 391                       | 918                           |

Significant provisions for both Group and Merseytravel as at 31 March 2016 were:

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

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

**Contingent Liabilities**

Commercial negotiations are in process relating to disputed costs. Some negotiations were concluded in 2013/14 and 2014/15, and the reserve created for this purpose has been partly utilised. The balance on this reserve is available to fund resulting costs, which are not expected to be concluded for several years. The information usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of these negotiations.

**20. Rail Concession Agreement (Benefit Share)**

Under the concession agreement in respect of Merseyrail Electrics (MEL), there is an agreement that surpluses above a certain threshold are shared between MEL and Merseytravel. Merseytravel's net share for 2015/16 was £3.9m (2014/15 £4.3m). For 2015/16 costs of £1.5m (2014/15 £1.6m) and income of £5.4m (2014/15 £5.9m) have been included in Merseytravel income and expenditure.

The balance as at 31 March 2016 is £19.6m (2014/15 £15.8m) is included in useable reserves in the balance sheet. Agreed ongoing expenditure includes strengthening services on the Chester and Ormskirk Lines, funding the enhanced Chester-Liverpool train service and further improvements at Liverpool South Parkway. Discussions are on-going with MEL to determine the best use and maximum benefits to the travelling public for investing the remaining £19.6m.

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**21. Financial Instruments**

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

| Group   | Carrying Amount   |                   | Fair Value        |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 2015/16<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2014/15<br>£000's |
| <b>Financial Assets:</b>  |                   |                   |                   |                   |
| <b>Loans &amp; Receivables</b>                                    |                   |                   |                   |                   |
| Long-term loans & receivables                                     | 0                 | 0                 | 0                 | 0                 |
| Long-term debtors   | 758               | 777               | 758               | 777               |
| Current loans & receivables                                       | 35                | 34                | 35                | 34                |
| Amounts deposited with MITA/LCRCA                                 | 30,200            | 27,100            | 30,200            | 27,100            |
| Current Financial assets carried at contract amounts              | 12,926            | 6,554             | 12,926            | 6,554             |
|   | 43,919            | 34,465            | 43,919            | 34,465            |
| <b>Unquoted equity investment at cost</b>                         | 0                 | 0                 | 0                 | 0                 |
|   | 43,919            | 34,465            | 43,919            | 34,465            |
| <b>Financial Liabilities:</b>                                     |                   |                   |                   |                   |
| Current trade payables  | 16,859            | 12,181            | 16,859            | 12,181            |
| Interest bearing loans and borrowings measured at amortised cost: | 0                 | 0                 | 0                 | 0                 |
| Fixed rate borrowings - due within one year                       | 141               | 134               | 141               | 134               |
| Fixed rate borrowings - due after one year                        | 3,550             | 3,691             | 3,550             | 3,691             |
|   | 20,550            | 16,006            | 20,550            | 16,006            |

| Merseytravel  | Carrying Amount   |                   | Fair Value        |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 2015/16<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2014/15<br>£000's |
| <b>Financial Assets:</b>                                |                   |                   |                   |                   |
| <b>Loans &amp; Receivables</b>                          |                   |                   |                   |                   |
| Long-Term loans & receivables                           | 3,524             | 3,658             | 3,524             | 3,658             |
| Long-Term debtors                                       | 758               | 777               | 758               | 777               |
| Current loans & receivables                             | 34                | 38                | 34                | 38                |
| Amounts deposited with MITA/LCRCA                       | 30,200            | 27,100            | 30,200            | 27,100            |
| Current Financial assets carried at contract amounts    | 12,683            | 6,275             | 12,683            | 6,275             |
|   | 47,199            | 37,848            | 47,199            | 37,848            |
| <b>Financial Liabilities:</b>                           |                   |                   |                   |                   |
| Current financial liabilities carried at contract costs | 14,720            | 9,977             | 14,720            | 9,977             |
| Current financial liability at amortised costs          | 141               | 134               | 141               | 134               |
| Long term financial liability at amortised costs        | 3,382             | 3,523             | 3,382             | 3,523             |
|   | 18,243            | 13,634            | 18,243            | 13,634            |

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Financial Instruments** (continued)

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

| <b>Group &amp; Merseytravel</b>   | <b>2015/16</b>                                   |   | <b>2014/15</b>                                   |   |
|---|--|---|--|---|
|   | <b>£000's</b>                                    |   | <b>£000's</b>                                    |   |
|   | Financial Liabilities measured at amortised cost | Financial Assets: Loans and Receivables | Financial Liabilities measured at amortised cost | Financial Assets: Loans and Receivables |
| Interest expense  | 179  | 0                                       | 185  | 0                                       |
| Impairment losses (Bad debts)   | 0  | (13)                                    | 0  | (305)                                   |
| <b>Total expense in Surplus of Deficit on the Provision of Services</b> | 179  | (13)                                    | 185  | (305)                                   |
| Interest Income   |  | (179)                                   | 0  | (233)                                   |
| <b>Total income in Surplus or Deficit on the Provision of Services</b>  | 0  | (179)                                   | 0  | (233)                                   |
| <b>Net gain/(loss) for the year</b>                                     | 179  | (192)                                   | 185  | (538)                                   |

**Fair Values of Assets and Liabilities**

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

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

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

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

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

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

- Interest is calculated using a 365-day basis
- Interest is paid on the maturity date
- No adjustment has been made to the interest value and date, where a relevant date occurs on a non-working day
- Estimated ranges of interest rates at 31 March 2016 of 4.34% to 7.74%
- No early repayment or impairment is recognised
- The fair value of trade and other receivables are taken to be the invoiced or billed amount.

Long-term receivables have been evaluated for collectability. There is a single counterparty to the long-term debtor and Merseytravel considers that the carrying amount is not impaired at 31 March 2016. Therefore, the carrying value approximates fair value.

**Financial Instruments (continued)**

**Risk Factors**

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

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

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

(a) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to Merseytravel's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of P1 and A3 (Moody's) and/or F1 and A (Fitch's), with weightings of the total amount deposited in the highest rated categories. Merseytravel on-lends surplus monies interest free to the LCRCA to make investments. These investments are governed by the LCRCA's Treasury Management policy.

(b) Liquidity risk

As Merseytravel has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments. There is a future risk that Merseytravel will be bound to replenish a proportion of its borrowings at a time of unfavourable interest rates.

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

(c) Market risk

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

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

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

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

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

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**22. Reserves**

**(a) Useable Reserves**

An analysis of closing useable reserves is as follows:

|                               | Group         |               | Merseytravel  |               |
|-------------------------------|---------------|---------------|---------------|---------------|
|                               | 2015/16       | 2014/15       | 2015/16       | 2014/15       |
|                               | £000's        | £000's        | £000's        | £000's        |
| Revenue Reserve               | 2,836         | 2,353         | 1,739         | 1,739         |
| Earmarked Reserves            | 69,185        | 65,522        | 69,182        | 65,484        |
| <b>Total Useable Reserves</b> | <b>72,021</b> | <b>67,875</b> | <b>70,921</b> | <b>67,223</b> |

**(b) Earmarked Reserves**

Earmarked reserves can be further analysed as follows:

|  | As at<br>01 April 2015<br>£000 | Transfers<br>out<br>£000 | Transfers in<br>£000 | As at<br>31 March 2016<br>£000 |
|--|--------------------------------|--------------------------|----------------------|--------------------------------|
| <b>Merseytravel</b>                              |                                |                          |                      |                                |
| Capital reserve                                  | 7,613                          | 0                        | 1,563                | 9,176                          |
| Rail Franchise agreement (Benefit Share) reserve | 15,786                         | (1,532)                  | 5,394                | 19,648                         |
| Rail financing reserve                           | 16,524                         | (2,629)                  | 2,204                | 16,099                         |
| Restructuring reserve                            | 4,070                          | (202)                    | 500                  | 4,368                          |
| Grant/Contributions unapplied reserve            | 2,093                          | 0                        | 236                  | 2,329                          |
| OLR reserve                                      | 2,000                          | 0                        | 0                    | 2,000                          |
| Operational reserves                             | 7,211                          | (2,480)                  | 0                    | 4,731                          |
| Sustainable transport reserve                    | 1,832                          | (914)                    | 0                    | 918                            |
| Other reserves                                   | 8,355                          | (23)                     | 1,581                | 9,913                          |
| <b>Earmarked Reserves</b>                        | <b>65,484</b>                  | <b>(7,780)</b>           | <b>11,478</b>        | <b>69,182</b>                  |
| Merseytravel Group Earmarked Reserves            | 38                             | (482)                    | 447                  | 3                              |
| <b>Group Earmarked Reserves</b>                  | <b>65,522</b>                  | <b>(8,262)</b>           | <b>11,925</b>        | <b>69,185</b>                  |

- Capital reserve – is used to support the funding of the capital programme
- Rail Franchise agreement (Benefit Share) – is used to support development of strategic transport initiatives
- Revenue reserve – created to allow funding for unbudgeted financial events during the year
- Rail Financing reserve – used to fund the Rolling Stock team and the development of the business case for the proposed rolling stock replacement
- Restructuring reserve – created to provide support to staffing cost implications of service transformation programmes
- Grants/Contributions unapplied - represents grants etc. received but not yet utilised, to support the delivery of the capital programme
- OLR – Operator of Last Resort – should the incumbent rail operator experience difficulties in running the MEL franchise, Merseytravel has step in rights to allow it to take over the running of the franchise until a new operator can be found
- Operational reserves – used to support the current transport network, and ticketing initiatives
- Sustainable transport – newly created to support the Local Growth Fund initiatives surrounding the STEP programme

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Reserves** (continued)

**(c) Unusable Reserves**

An analysis of closing unusable reserves is as follows:

|                                | Group        |              | Merseytravel |              |
|--------------------------------|--------------|--------------|--------------|--------------|
|                                | 2015/16      | 2014/15      | 2015/16      | 2014/15      |
|                                | £000's       | £000's       | £000's       | £000's       |
| Pension Reserve                | (94,246)     | (102,192)    | (94,246)     | (102,192)    |
| Revaluation Reserve            | 11,831       | 11,831       | 11,615       | 11,615       |
| Deferred Capital Grants        | 90,974       | 92,938       | 90,974       | 92,938       |
| <b>Total Unusable Reserves</b> | <b>8,559</b> | <b>2,577</b> | <b>8,343</b> | <b>2,361</b> |

**(i) Deferred capital grants**

|   | Deferred Capital Grants<br>£000's |
|---|-----------------------------------|
| <b>Balance at 1 April 2015</b>          | 92,938                            |
| Prior period adjustment                 |                                   |
| Revaluation reserve depreciation charge |                                   |
| Grants received MITALCRCA               |                                   |
| Grants Applied:                         |                                   |
| Property plant and equipment            | 3,001                             |
| Deferred charges                        |                                   |
| Re EU schemes                           |                                   |
| Transfer from Capital reserves          |                                   |
| Use of capital receipts                 |                                   |
| Released to Revenue:-                   |                                   |
| Disposal of PPE                         | (189)                             |
| Revaluation reserve adjustment          | 0                                 |
| Depreciation/Impairment charge          | (4,776)                           |
| <b>Balance at 31 March 2016</b>         | <b>90,974</b>                     |

**(ii) Pensions Reserve**

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

The Pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post -employment benefits and for funding benefits in accordance with statutory provisions. Merseytravel accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as Merseytravel makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Reserves** (continued)

shows a substantial shortfall in the resources set aside to meet the benefits earned by past and current employees. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

|  | <b>Group and Merseytravel</b> |                 |
|--|-------------------------------|-----------------|
|  | <b>2015/16</b>                | <b>2014/15</b>  |
|  | <b>£000's</b>                 | <b>£000's</b>   |
| <b>Balance at 1 April</b>  | -102,192                      | -67,201         |
| Ex MITA deficit transferred to MPTE  |                               | -11,537         |
| Actuarial (gains)/losses   | -                             | -               |
| Remeasurements (liabilities & assets)  | 9,877                         | -23,231         |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services | -8,446                        | -7,561          |
| Employers Pension Contributions and direct payments to pensioners in the year  | 6,515                         | 7,338           |
| <b>Balance at 31 March</b>   | <b>-94,246</b>                | <b>-102,192</b> |

**(iii) Revaluation Reserve**

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

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

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

|  | <b>Group</b>   |                | <b>Merseytravel</b> |                |
|--|----------------|----------------|---------------------|----------------|
|  | <b>2015/16</b> | <b>2014/15</b> | <b>2015/16</b>      | <b>2014/15</b> |
|  | <b>£000's</b>  | <b>£000's</b>  | <b>£000's</b>       | <b>£000's</b>  |
| <b>Balance at 1 April</b>  | 11,831         | 12,081         | 11,615              | 12,056         |
| Prior period adjustment  |                |                |                     |                |
| Revaluation and impairment charges not charged to the surplus/deficit on the provision of services |                | (250)          |                     | (441)          |
| Difference between fair value depreciation and historical cost depreciation                        |                | 0              | 0                   | 0              |
| <b>Balance at 31 March</b>   | <b>11,831</b>  | <b>11,831</b>  | <b>11,615</b>       | <b>11,615</b>  |

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Reserves** (continued)

**Subsidiary Undertakings**

For subsidiary undertakings, the aggregated amounts for capital and reserves, as at 31 March 2016, were as follows:-

| <b>Group</b>                 | <b>2015/16</b> | <b>2014/15</b> |
|------------------------------|----------------|----------------|
|                              | <b>£000's</b>  | <b>£000's</b>  |
| Spaceport                    | (683)          | (479)          |
| U-534                        | 35             | 5              |
| The Beatles Story            | 1,622          | 984            |
| Real Time Information Group  | (32)           | (25)           |
| The Global Smart Media Group | 186            | (912)          |
|                              | <b>1,128</b>   | <b>(427)</b>   |

**23. Pension Costs**

As part of the terms and conditions of employment of its officers and other employees, Merseytravel offers retirement benefits. The Merseyside Pension Fund administers, on Merseytravel's behalf, a Local Government Superannuation Scheme that provides for the cost of meeting the future pension liabilities of Merseytravel's workforce. This is a funded defined benefit final salary scheme, meaning that Merseytravel and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets. The Fund's actuary based on triennial actuarial valuations determines the contribution rate. The last valuation was carried out as at 1 April 2013 by Mercer (a firm of Actuaries specializing in Pensions) Under Pension Fund regulations, contribution rates are set to meet the estimated overall liabilities of the Fund.

**Transactions relating to retirement benefits**

Merseytravel paid an employer's contribution of £6.515m (2014/15 - £7.338m) to the Pension Fund, representing 14.4% (2014/15 -14.4%) of pensionable pay.

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



**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Pension Costs** (continued)

**(i) Income and Expenditure statement**

|   | <b>2015/16</b> | <b>2014/15</b>  |
|---|----------------|-----------------|
|   | <b>£000's</b>  | <b>£000's</b>   |
| <b>Income and Expenditure Statement:</b>  |                |                 |
| <i>Net cost of services:</i>  |                |                 |
| Current service cost  | 5,140          | 4,356           |
| Past service cost/(gain)  | 0              | 38              |
| Curtailments  | 38             | 58              |
| Administration expenses   | 102            | 103             |
| <i>Financing and Investment Income and Expenditure:</i>   |                |                 |
| Interest cost   | 0              | 0               |
| Expected return on scheme assets  | 0              | 0               |
| Interest - assets   | (7,466)        | (9,604)         |
| Interest - liabilities  | 10,632         | 12,610          |
| <i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>   | <b>8,446</b>   | <b>7,561</b>    |
| <i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:-</i>  |                |                 |
| Actuarial (gains)/losses  | 0              | 0               |
| Remeasurements : Assets   | 6,052          | (17,127)        |
| Remeasurements : Liabilities  | 0              | 0               |
| Remeasurements : Liabilities Experience (gain)/loss   | 0              | 0               |
| Remeasurements : Liabilities (Gain)/Loss financial assumptions  | (15,929)       | 40,358          |
| Remeasurements : Liabilities (Gain)/Loss demographic assumptions  | 0              | 0               |
| <i>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>   | <b>(9,877)</b> | <b>23,231</b>   |
| <b>Movement in Reserves Statement:</b>  |                |                 |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | 7,946          | (23,454)        |
| <i>Total Post Employment Benefits Charged in the year to the Movement in Reserves Statement</i>   | <b>7,946</b>   | <b>(23,454)</b> |
| <b>Summary of amounts charged to Reserves and Income and Expenditure Statement:</b>   |                |                 |
| Employer's contributions payable to the scheme  | 6,515          | 7,338           |
| Retirement benefits payable to pensioners   | 13,204         | 13,232          |

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Pension Costs** (continued)

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

| <b>Liabilities</b>                     | <b>2015/16<br/>£000's</b> | <b>2014/15<br/>£000's</b> |
|--|---------------------------|---------------------------|
| Benefit obligations at 1 April         | 338,124                   | 239,452                   |
| Current service cost                   | 5,140                     | 4,356                     |
| Interest on pension liabilities        | 10,632                    | 12,610                    |
| Member contributions                   | 1,419                     | 1,412                     |
| Past service cost/(gain)               | 0                         | 38                        |
| Remeasurements (liabilities)           | (15,929)                  | 40,358                    |
| Curtailments                           | 38                        | 58                        |
| Benefits/transfers paid                | (13,204)                  | (13,232)                  |
| Business combinations                  | 0                         | 53,072                    |
| <b>Benefit obligations at 31 March</b> | <b>326,220</b>            | <b>338,124</b>            |

| <b>Assets</b>                                | <b>2015/16<br/>£000's</b> | <b>2014/15<br/>£000's</b> |
|--|---------------------------|---------------------------|
| Fair value of plan assets at 1 April         | 235,932                   | 172,251                   |
| Business combinations                        | 0                         | 41,535                    |
| Actuarial (gains)/losses                     | 0                         | 0                         |
| Interest on plan assets                      | 7,466                     | 9,604                     |
| Remeasurements                               | (6,052)                   | 17,127                    |
| Admin expenses                               | (102)                     | (103)                     |
| Employer contributions                       | 6,515                     | 7,338                     |
| Member contributions                         | 1,419                     | 1,412                     |
| Benefits/transfers paid                      | (13,204)                  | (13,232)                  |
| <b>Fair value of plan assets at 31 March</b> | <b>231,974</b>            | <b>235,932</b>            |

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

The actual return on scheme assets for Merseytravel in the year was £1.4m (£26.7m for 2014/15).

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Pension Costs** (continued)

**(iii) Scheme history**

| <b>Merseytravel &amp; Group</b>      | <b>2011/12</b>  | <b>2012/13</b>  | <b>2013/14</b>  | <b>2014/15</b>   | <b>2015/16</b>  |
|--------------------------------------|-----------------|-----------------|-----------------|------------------|-----------------|
|                                      | <b>£000's</b>   | <b>£000's</b>   | <b>£000's</b>   | <b>£000's</b>    | <b>£000's</b>   |
| Present value of scheme liabilities  | (216,127)       | (243,288)       | (239,452)       | (338,124)        | (326,220)       |
| Fair value of scheme assets          | 158,054         | 174,644         | 172,251         | 235,932          | 231,974         |
| <b>Surplus/deficit in the scheme</b> | <b>(58,073)</b> | <b>(68,644)</b> | <b>(67,201)</b> | <b>(102,192)</b> | <b>(94,246)</b> |

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

**(iv) Pension costs 2016/17**

The total contributions budgeted to be made to the Merseyside Pension Scheme by Merseytravel in the year to 31 March 2017 are:

|                                   |                     |
|-----------------------------------|---------------------|
|                                   | <b>£'000</b>        |
| 14.4% of Pensionable pay (£20.4m) | 2,938               |
| Expected Employer Contribution    | 2,356               |
| Unfunded element re Added Years   | 747                 |
|                                   | <b><u>6,041</u></b> |

**(v) Other assumptions**

|  | <b>Group</b>   |                | <b>Merseytravel</b> |                |
|--|----------------|----------------|---------------------|----------------|
|  | <b>2015/16</b> | <b>2014/15</b> | <b>2015/16</b>      | <b>2014/15</b> |
| Mortality assumptions:   |                |                |                     |                |
| Longevity at 65 for current pensioners :                             |                |                |                     |                |
| Men (years)  | 22.5           | 22.4           | 22.5                | 22.4           |
| Women (years)  | 25.4           | 25.3           | 25.4                | 25.3           |
| Longevity at 65 for future pensioners :                              |                |                |                     |                |
| Men (years)  | 24.9           | 24.8           | 24.9                | 24.8           |
| Women (years)  | 28.2           | 28.1           | 28.2                | 28.1           |
| Rate of Inflation (CPI)  | 2.00%          | 2.00%          | 2.00%               | 2.00%          |
| Rate of increase in salaries   | 3.50%          | 3.50%          | 3.50%               | 3.50%          |
| Rate of increase in pensions   | 2.00%          | 2.00%          | 2.00%               | 2.00%          |
| Rate for discounting scheme/liabilities                              | 3.50%          | 3.20%          | 3.50%               | 3.20%          |
| Take-up of option to convert annual pension into retirement lump sum | N/A            | N/A            | N/A                 | N/A            |

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Pension Costs** (continued)

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

|  | 2011/12  |        | 2012/13  |        | 2013/14 |        | 2014/15  |         | 2015/16 |        |
|--|----------|--------|----------|--------|---------|--------|----------|---------|---------|--------|
|  | £000's   | %      | £000's   | %      | £000's  | %      | £000's   | %       | £000's  | %      |
| Differences between the expected and actual return on assets                         | (5,863)  | ( 3.7) | 11,426   | 7.4    | N/A     |        | N/A      |         | N/A     |        |
| Changes in demographic and financial assumptions used to estimate scheme liabilities | (5,777)  | ( 2.7) | (22,967) | ( 9.4) | N/A     |        | N/A      |         | N/A     |        |
| Total  | (11,640) |        | (11,541) |        | 0       |        | 0        |         | 0       |        |
| Discount Rate  |          | ( 1.1) |          | ( 2.0) |         |        |          |         |         |        |
| <b>Restated IAS 19</b>   | 2011/12  |        | 2012/13  |        | 2013/14 |        | 2014/15  |         | 2015/16 |        |
|  | £000's   | %      | £000's   | %      | £000's  | %      | £000's   | %       | £000's  | %      |
| Remeasurements - assets  | N/A      |        | 12,879   | 7.4    | (5,014) | ( 2.9) | 17,127   | 7.3     | (6,052) | ( 2.6) |
| Remeasurements - liabilities   | N/A      |        | (22,967) | ( 9.4) | 8,336   | 3.4    | (40,358) | ( 11.9) | 15,929  | 4.9    |
| Total  | 0        |        | (10,088) |        | 3,322   |        | (23,231) |         | 9,877   |        |
| Discount Rate  |          |        |          | ( 2.0) |         | 3.4    |          | 3.2     |         | 3.5    |

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

**Pension Fund sensitivity analysis as at 31 March 2016**

|  | Central   | Sensitivity 1          | Sensitivity 2   | Sensitivity 3     | Sensitivity 4                 |
|--|-----------|------------------------|-----------------|-------------------|-------------------------------|
| <b>Merseytravel and Group</b>              |           | +0.1% pa discount rate | +0.1% inflation | +0.01% pay growth | 1 yr increase life expectancy |
|  | £000's    | £000's                 | £000's          | £000's            | £000's                        |
| Disclosure item                            |           |                        |                 |                   |                               |
| Liabilities                                | 326,220   | 321,076                | 331,446         | 327,411           | 332,750                       |
| Assets                                     | (231,974) | (231,974)              | (231,974)       | (231,974)         | (231,974)                     |
| Deficit/(Surplus)                          | 94,246    | 89,102                 | 99,472          | 95,437            | 100,776                       |
| Projected service cost for next year       | 4,810     | 4,705                  | 4,920           | 4,810             | 4,917                         |
| Projected net interest costs for next year | 3,193     | 3,099                  | 3,389           | 3,248             | 3,435                         |

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Pension Costs** (continued)

**Detailed asset breakdown as at 31 March 2016:**

| <b>Merseytravel &amp; Group</b> |                                    |               |                   |            |                   |            |
|---------------------------------|------------------------------------|---------------|-------------------|------------|-------------------|------------|
| <b>Asset category</b>           | <b>Sub-category</b>                | <b>Quoted</b> | <b>31/03/2016</b> | <b>%</b>   | <b>31/03/2015</b> | <b>%</b>   |
|                                 |                                    |               | <b>£000's</b>     |            | <b>£000's</b>     |            |
| <b>Equities</b>                 | UK Quoted                          | Y             | 50,174            | 22         | 56,292            | 24         |
|                                 | Global quoted                      | Y             | 69,981            | 30         | 71,062            | 30         |
| <b>Bonds</b>                    | UK Government                      | Y             | 10,644            | 5          | 11,797            | 5          |
|                                 | UK Corporate                       | Y             | 5,619             | 2          | 6,111             | 3          |
|                                 | UK Index linked                    | Y             | 20,584            | 9          | 23,027            | 10         |
| <b>Property</b>                 | UK Direct                          | N             | 13,295            | 6          | 13,212            | 6          |
|                                 | Property Managed - (UK quoted)     | Y             | 949               | 0          | 779               | 0          |
|                                 | Property Managed - (UK unquoted)   | N             | 3,682             | 2          | 3,138             | 1          |
|                                 | Property Managed - (Global)        | N             | 2,734             | 1          | 2,359             | 1          |
| <b>Alternatives</b>             | Private equity -(UK quoted)        | Y             | 45                | 0          | 94                | 0          |
|                                 | Private equity -(UK unquoted)      | N             | 8,520             | 4          | 7,054             | 3          |
|                                 | Private equity - (Global unquoted) | N             | 7,461             | 3          | 6,465             | 3          |
|                                 | Hedge funds - (UK quoted)          | Y             | 587               | 0          | 590               | 0          |
|                                 | Hedge funds - (UK unquoted)        | N             | 1,253             | 1          | 1,274             | 1          |
|                                 | Hedge funds - (Global unquoted)    | N             | 6,263             | 3          | 7,196             | 3          |
|                                 | Infrastructure - (Global quoted)   | Y             | 935               | 0          | 637               | 0          |
|                                 | Infrastructure - (UK unquoted)     | N             | 4,660             | 2          | 3,303             | 1          |
|                                 | Infrastructure - (Global unquoted) | N             | 2,990             | 1          | 1,958             | 1          |
|                                 | Opportunities - (UK quoted)        | Y             | 4,016             | 2          | 4,318             | 2          |
|                                 | Opportunities - (UK unquoted)      | N             | 6,618             | 3          | 4,837             | 2          |
|                                 | Opportunities - (Global quoted)    | Y             | 312               | 0          | 708               | 0          |
|                                 | Opportunities - (Global unquoted)  | N             | 2,678             | 1          | 2,572             | 1          |
| <b>Cash</b>                     | Cash instruments                   | Y             | 7,974             | 3          | 7,149             | 3          |
|                                 |                                    |               | <b>231,974</b>    | <b>100</b> | <b>235,932</b>    | <b>100</b> |

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**24. Related party disclosures**

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

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

**(a) Liverpool City Region Combined Authority (LCRCA)**

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

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

|                                | <b>2015/16</b> | <b>2014/15</b> |
|--------------------------------|----------------|----------------|
|                                | <b>£000's</b>  | <b>£000's</b>  |
| Short term deposits with LCRCA | 30,200         | 27,100         |

Balances receivable are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received. No impairment of receivables has occurred during the year.

**(b) Directors and LCRCA members**

As at 31<sup>st</sup> March 2016 one Director, the Director of Resources has a dual role as a chief officer of both Merseytravel and the LCRCA. The Chief Executive/Director General (until 8<sup>th</sup> November 2015) and the Director of Resources are the only officers who hold statutory roles in both Merseytravel and the LCRCA. There were no other transactions with Directors and officers other than reimbursement of expenses.

**(c) Directors of Subsidiary Companies**

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

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

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Related party disclosures** (continued)

**(d) Subsidiary Companies**

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

|   | <b>2015/16</b> | <b>2014/15</b> |
|---|----------------|----------------|
|   | <b>£000's</b>  | <b>£000's</b>  |
| <b>Loans from Executive to:</b>                 |                |                |
| GSM   | 0              | 0              |
| ATL   | 438            | 438            |
| Mersey Ferries Limited                          | 1,761          | 1,148          |
| Merseyside Passenger Transport Services Limited | 1,012          | 1,012          |
| The Beatles Story                               | 0              | 0              |
| <b>Revenue support grant from Executive to:</b> |                |                |
| Mersey Ferries Limited                          | 1,768          | 1,449          |
| Merseyside Passenger Transport Services Limited | 0              | 0              |
| Contribution to Beatles Story operational costs | 0              | 0              |

**(e) Merseyside Pension Fund**

Transactions and balances with Merseyside Pension Fund are set in note 23. For 2015/16 Merseytravel paid an employer's contribution equivalent to 14.4% of pensionable pay along with a fixed contribution of £2.67m into the Merseyside Pension Fund (2014/15 £2.56m).

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**25. Commitments**

**Capital Commitments**

At 31 March 2016, Merseytravel was contractually committed to further works which amounted to approximately £13.4m (2014/15 £7.4m). Major contracts included the following schemes:-

|                                    | <b>2016/17</b><br><b>£000's</b><br><b>Budget</b> | <b>2015/16</b><br><b>£000's</b><br><b>Budget</b> |
|------------------------------------|--|--|
| Electric charging                  | 0  | 200  |
| Ferry Terminal/Vessel Improvements | 250  | 953  |
| Halton Curve                       | 1,784  | 0  |
| Clean bus fund                     | 0  | 100  |
| Formby rail station access         | 0  | 825  |
| Maghull North                      | 1,315  | 0  |
| Newton le Willows                  | 8,188  | 5,200  |
| Kirkby Bus Station                 | 750  | 0  |
| Other Schemes                      | 1,075  | 165  |
| <b>Total Capital Commitments</b>   | <b>13,362</b>                                    | <b>7,443</b>                                     |

**Lease commitments**

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

|                               | <b>Group</b>                    |                                 | <b>Merseytravel</b>             |                                 |
|-------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                               | <b>2015/16</b><br><b>£000's</b> | <b>2014/15</b><br><b>£000's</b> | <b>2015/16</b><br><b>£000's</b> | <b>2014/15</b><br><b>£000's</b> |
| Operating leases commitments: |                                 |                                 |                                 |                                 |
| Within 1 year                 | 12,193                          | 12,158                          | 0                               | 0                               |
| Within 2 to 5 years           | 21,338                          | 33,435                          | 0                               | 0                               |
| Over 5 years                  | 0                               | 0                               | 0                               | 0                               |

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

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

Merseytravel has no assets held under finance leases.



**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**Commitments (continued)**

**Lessor Commitments**

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

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

|                                     | Group             |                   | Merseytravel      |                   |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | 2015/16<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2014/15<br>£000's |
| Operating leases which will expire: |                   |                   |                   |                   |
| Within 1 year                       | 607               | 594               | 40                | 40                |
| Within 2 to 5 years                 | 2,387             | 2,322             | 141               | 145               |
| Over 5 years                        | 5,023             | 7,015             | 231               | 68                |

Departure/facility fees charged to bus operators for the use of bus stations are not included in the above table. For 2015/16 Merseytravel received £1,099k (2014/15 £1,104k) for these fees, which are included within Note 4 (Segmental reporting) "Other Services - fees, charges and service income".

**26. Post balance sheet events**

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

**27. Cash flow**

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

|   | Group             |                   | Merseytravel      |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 2015/16<br>£000's | 2014/15<br>£000's | 2015/16<br>£000's | 2014/15<br>£000's |
| Increase/(decrease) in cash at 31 March | (2,304)           | (10,514)          | (2,330)           | 10,494            |
| Cash used to manage liquid resources    | 0                 | 0                 | 0                 | 0                 |
| Change in net Funds                     | (2,304)           | (10,514)          | (2,330)           | 10,494            |
| Net funds brought forward at 1 April    | 25,395            | 35,909            | 46,276            | 35,782            |
| Net funds carried forward at 31 March   | 23,091            | 25,395            | 43,946            | 46,276            |
| Represented by:-                        |                   |                   |                   |                   |
| Cash in hand (including Petty Cash)     | 23,091            | 25,395            | 43,946            | 46,276            |

**MERSEYTRAVEL**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

**27. Cash flow (continued)**

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

| 2015/16 |         |          | Group        | 2014/15 |         |          |
|---------|---------|----------|--------------|---------|---------|----------|
| Opening | Closing | Movement |              | Opening | Closing | Movement |
| Balance | Balance | During   |              | Balance | Balance | Year     |
| £000's  | £000's  | Year     |              | £000's  | £000's  | Year     |
| 46,386  | 48,694  | 2,308    | Cash in hand | 35,874  | 46,386  | 10,512   |
| 37      | 33      | (4)      | Petty Cash   | 35      | 37      | 2        |
| 46,423  | 48,727  | 2,304    |              | 35,909  | 46,423  | 10,514   |

| 2015/16 |         |          | Merseytravel | 2014/15 |         |          |
|---------|---------|----------|--------------|---------|---------|----------|
| Opening | Closing | Movement |              | Opening | Closing | Movement |
| Balance | Balance | During   |              | Balance | Balance | Year     |
| £000's  | £000's  | Year     |              | £000's  | £000's  | Year     |
| 46,259  | 48,588  | 2,329    | Cash in hand | 35,765  | 46,259  | 10,494   |
| 17      | 18      | 1        | Petty Cash   | 17      | 17      | 0        |
| 46,276  | 48,606  | 2,330    |              | 35,782  | 46,276  | 10,494   |

## **MERSEYTRAVEL GLOSSARY OF FINANCIAL TERMS**

### **ACCOUNTING POLICIES**

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

### **ACCRUALS**

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

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

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

### **CAPITAL EXPENDITURE**

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

### **CAPITAL ADJUSTMENT ACCOUNT**

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

### **CAPITAL RECEIPTS**

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

### **CENTRAL SUPPORT SERVICES**

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

### **COMMUNITY ASSETS**

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

### **CONTINGENT ASSET**

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

### **CONTINGENT LIABILITY**

A contingent liability is either:

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

### **CORPORATE AND DEMOCRATIC CORE**

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

### **CREDITORS**

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

### **DEBTORS**

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

## **MERSEYTRAVEL GLOSSARY OF FINANCIAL TERMS**

### **DEFINED BENEFIT SCHEME**

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

### **DEFERRED CAPITAL INCOME**

Deferred Capital Income comprises amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses, which form the main part of mortgages under loans for purchase and improvement of property.

### **DEFINED CONTRIBUTION SCHEME**

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

### **DEPRECIATION**

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

### **EXCEPTIONAL ITEMS**

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

### **FINANCE LEASE**

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

### **FIXED ASSETS**

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

### **GENERAL FUND**

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

### **IMPAIRMENT**

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

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

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

### **INFRASTRUCTURE ASSETS**

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

### **INTANGIBLE FIXED ASSETS**

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

### **LONG TERM DEBTORS**

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

## **MERSEYTRAVEL GLOSSARY OF FINANCIAL TERMS**

### **NET BOOK VALUE**

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

### **NET REALISABLE VALUE**

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

### **NON-DISTRIBUTED COSTS**

Non-distributed costs are defined as comprising:

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

### **NON-OPERATIONAL ASSETS**

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

### **OPERATING LEASE**

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

### **OPERATIONAL ASSETS**

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

### **PAST SERVICE COST**

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

### **POST BALANCE SHEET EVENTS**

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

### **PRIOR YEAR ADJUSTMENT**

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

### **PROVISIONS**

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

### **PRUDENTIAL CODE**

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

### **RELATED PARTIES**

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

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or

## **MERSEYTRAVEL**

### **GLOSSARY OF FINANCIAL TERMS**

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

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

#### **RELATED PARTY TRANSACTION**

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

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

#### **RESERVES**

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

#### **REVENUE EXPENDITURE**

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

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

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

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

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

#### **MOVEMENT IN RESERVES STATEMENT**

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

**MERSEYTRAVEL  
NOTES TO THE ACCOUNTS**

**Glossary of Acronyms used in these Accounts**

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