Merseyside Integrated Transport Authority (MITA)

Statement of Accounts
For the year ended 31 March 2013

Explanatory Foreword 3

Statement of Responsibilities for the Statement of Accounts 10

Annual Governance Statement 11

Independent Auditors' Report to Merseyside Integrated Transport Authority 17

MITA Comprehensive Income and Expenditure Statement for the year ended 31 March 2013 19

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2013 20

Balance Sheet as at 31 March 2013 21

Movement in Reserves Statements for the year ended 31 March 2013 22

Cash Flow Statement for the year ended 31 March 2013 26

Notes to the Accounts 27

These set of accounts reflect the financial position of the ITA and the ITA Group at 31 March 2013.

The Authority's accounts for the year ended 31 March 2013 are set out on pages 19 to 70. They consist of the:-

(a) Comprehensive Income and Expenditure Statement - the Authority's main revenue account covering income and expenditure on all Authority services;

(b) Group Comprehensive Income & Expenditure

(c) Balance Sheet - which sets out the financial position of the Authority and Group on 31 March 2013;

(d) Movement in Reserves statements;

(e) Statement of Cash Flows - which summarises the outflows of cash arising from transactions with third parties for revenue and capital purposes; and

(f) Notes, comprising a summary of significant accounting policies and other explanatory information.

Group Accounts are now required by the Code of Practice on Local Authority Accounting in the United Kingdom. The Code requires the Authority to treat the Executive as if it were a subsidiary company.

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

Principal Activities

The direct principal activity of the Authority is the operation of the Mersey Tunnels, and the servicing of Transport and Tunnels Infrastructure debt. In addition, it sets the policies for its subsidiary the MPTE to administer the following services on its behalf:-

(a) Provision and operation of bus stations, interchanges, bus stops and shelters and other customer facilities;

(b) Production of timetable and route information on all services;

(c) Provision and operation of a commuter and leisure ferry service on the River Mersey along with various other leisure attractions to strengthen the local river front economy;

(d) Administration of the local rail network through rail franchises;

(e) Provision and operation of the local national concessionary travel schemes along with provision of a suite of prepaid travel tickets for public transport;

(f) Provision of supported bus services in additional to the commercial network.

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

During 2012/13 the Authority embarked on an in year savings drive to enable surplus monies to be transferred to earmarked reserves for future projects. This exercise delivered savings in excess of £10m which enabled a transfer to the Rolling Stock reserve.

Careful consideration is given to the determining of reserve categories. Where reserves are earmarked this is done to ensure that the Authority is able to anticipate or meet any financial shocks. The capital reserve was used to great effect since 2010/11 to off-set the Government’s decision to scale back on the level of support to the Authority’s capital programme through reductions in the Integrated Transport Block Grant. The Authority’s reserves can be released to off-set expenditure, but only as an alternative to service reduction, however, once reserves are used, in the current environment, replacement will be extremely difficult.

Key Performance Indicators and Business Review

The financial results of the Authority and the Group (comprising of the Authority, and the Merseyside Passenger Transport Executive and subsidiaries) are shown on pages 19 to 70.

The Authority's management accounts for budgeting purposes, is based on the income and expenditure of the general reserve and shows a surplus for the year of £0k (2011/12 £0k). This basis differs from that shown in the financial statements. The MITA Group position shows a deficit of £7k (2011/12 deficit £363k). The reserves of the Authority at the year-end were £80m (2011/12 £47m). The Group reserves were £163m (2011/12 £141m).

Service Provision

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

Income and Expenditure of General Reserve

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

2011/12			2012/13			
Actual		MITA Accounts	Original Estimate	Revised Estimate	Actual	
£000	%		£000	£000	£000	%
		Gross Expenditure				
38,369	15	Tunnels	36,948	37,355	37,709	15
24,471	9	Transport Infrastructure	24,986	35,264	25,605	10
194,389	76	MITA Grant (including Special Rail and Concessionary Travel Grants)	201,696	190,065	190,072	75
959	0	Corporate & Democratic Core	5,591	966	896	0
258,188	100		269,221	263,650	254,282	100
		Funded by -				
38,369	15	Service Income (Tunnel Tolls etc.)	45,254	47,084	37,709	15
92,455	36	Direct Grants	96,208	89,202	89,209	35
-	-	Use of Reserves	395	-	-	0
130,824	51	Sub Total	141,857	136,286	126,918	50
127,364	49	Balance to be met by levies upon Merseyside District Councils	127,364	127,364	127,364	50
258,188	**100**	**Total Funding**	**269,221**	**263,650**	**254,282**	**100**

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

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
EXPLANATORY FOREWORD TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2013

2011/12		Group Accounts	2012/13			
Actual			Original Estimate	Revised Estimate	Actual	
£000	%		£000	£000	£000	%
		Gross Expenditure				
38,369	12	Tunnels	36,948	37,355	37,709	11
37,656	11	Transport Infrastructure/Funding	35,914	50,881	58,722	17
7,579	2	Corporate & Democratic Core	8,777	4,827	4,360	1
11,085	3	Mersey Ferries	11,678	11,205	12,141	3
27,703	8	Bus Services	31,662	28,414	28,118	8
108,486	34	Rail Services	115,317	107,310	107,524	32
79,336	24	Travel Concessions	82,804	82,326	81,828	23
13,091	4	Hubs	10,163	8,942	8,196	2
324	0	GSM/RTIG	-	-	65	0
-		People & Customer Development	-	7,855	7,328	2
7,135	2	Strategy & Business Planning	6,526	4,163	3,354	1
330,764	100		339,789	343,278	349,345	100
		Funded by -				
110,361	33	Service Income	118,306	126,712	132,765	38
92,455	28	Direct Grants	96,208	89,202	89,209	26
221	0	Other Grants	-	-	-	0
363	0	Use of General Reserves	395	-	7	0
203,400	61	Sub Total	214,909	215,914	221,981	64
127,364	39	Balance to be met by levies upon Merseyside District Councils	127,364	127,364	127,364	36
330,764	**100**	**Total Funding**	**342,273**	**343,278**	**349,345**	**100**

Cash flow

Although base rate continues to be at historically low levels, interest of £1.4m was earned during 2012/13 (£1.4 2011/12) through prudent short term deposits of surplus monies. The ITA continues to benefit from surplus PTE monies being on- lent to the ITA interest free, to permit bulk placements on the money market thereby maximising investment opportunities and returns to Merseytravel.

Pension surplus/deficit

The ITA participates in a defined benefit pension scheme administered on its behalf by the Merseyside Pension Fund (MPF). Pension costs have been charged to the Comprehensive Income and Expenditure Statement (CIES) in line with IAS19, then reversed out, applying the statutory override provided by Regulation 7A(2) of the Accounts and Audit Regulation's 2011. For a fuller explanation of the ITA's pension deficit please refer to Note 31.

Future planned development

The ITA continues to support the development of a fully integrated transport system, with our District partners, for Merseyside through the latest Local Transport Plan (LTP3 2011-2015). Information on LTP3 can be found on the Merseytravel website.

Mersey Tunnels Fixed Asset Valuation

The ITA has had a policy of revaluing the Mersey Tunnel fixed assets every 5 years. The first valuation was carried for the 2003/4 accounting year, and the latest revaluation was carried out in March 2009.

The March 2009 revaluation was undertaken by District Valuers Service, experts in public sector asset valuations. The valuation certificates for the properties are supplied for the purpose of "implementing the recommendations of CIPFA with regard to the valuation of capital assets held by Public Authorities".
The Code of Practice on Local Authority Accounting (The Code) states Infrastructure assets should be measured at historical cost, and defines this as cost to be the carrying amount of the assets as at April 2007, adjusted for subsequent depreciation or impairment.

Revenue Financing

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

Merseytram

TWA powers were granted by the Government (SI 2005 No 210) for the construction and operation of Merseytram Line 1 and as a consequence detailed design and certain advance works were carried out. During 2005/06 the Government withdrew its £170m funding contribution, effectively stalling the good progress made on the development of Merseytram. TWA powers have been secured for the foreseeable future.

Capital Programme

In 2012/13 the Authority provided Capital grants to the Executive of £8.9m (£11.1m, 2011/12) along with direct capital investment on the Mersey Tunnels totalling £7.5m (2011/12 £9.4m). Details of some of the largest schemes are as follows:-

ITA Schemes

(a) Mersey Tunnels projects including the completion of the Queensway Road Deck project of £2m, plus improvements to infrastructure, buildings, and vehicles and plant.

ITA Group Schemes

(b) Completion of Central Station improvements of £3.2m.

(c) Substantial progress in Merseytravel's visionary programme to improve integrated public transport along major corridors and centres in Merseyside.

(d) Investment in upgrading the ITA's Information Technology infrastructure of £1.2m

(e) Improvements to two park and ride sites at Birkenhead North and Bidston of £2.8m

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

Capital Financing/Borrowing

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

2012/13	ITA	Group
	£m	£m
Capital Expenditure	7.5	20.6
Financed by :-		
Lease Incentive	-	-
Grants/Contributions	-	8.9
Renewals fund / tolls	7.5	7.5
Reserves	-	4.2
	7.5	20.6

The Capital Financing Requirement at 31/3/13 was £247.2m (31/3/12 £265.0m). Actual external debt at 31/3/13 was £246.8m, (31/3/12 £258.1m).

Tunnels Repair and Renewal Reserve

The Medium Term Financial Strategy has expressed the intention that the Tunnels Repair and Renewal Reserve be maintained at a level of £2.5m or above. This Reserve stood at £7.3m as at 31 March 2013. (31/3/12 £7.3m)

Principal Risks and Uncertainties

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

(i) Compliance Risk

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

(ii) Energy Shocks

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

(iii) Population Demographics

The impact of the post-war baby boom will result in more people being eligible for concessionary travel, even allowing for the recent changes in eligibility. The arrangements with the major bus operators and Merseyrail are on the basis that all eligible persons will have access to a local concession until they reach the age for the national concession. These arrangements have a cap and collar arrangement to insulate the ITA from costs that the PTE could be exposed to.

(iv) Industry Consolidation/Transition

It is possible that further consolidation of bus operators could take place. There is no intelligence to suggest that this is happening either with the big operators or indeed with the smaller operators who predominantly provide contracts to Merseytravel. The risk with consolidation is that the supply side can result in fewer operators, resulting in less price competition for tenders.

(v) Consumer Demand Shifts

A prolonged period of recession, as the country is now suffering, will impact upon consumer choice especially with regards to discretionary spending rather than 'routine' commuter expenditure. Conversely, discretionary spend could increase if the economy improves.

(vi) Global Financial Shocks

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

Currently the impact of any new public sector measures that the Government might bring in during 2013/14 and beyond cannot be accurately assessed.

Political and Charitable Donations

For 2012/13, Merseytravel adopted Calder Kids as its chosen charity and staff raised over £36k for the organisation, including a Merseytravel donation of £2k. There were no political donations made by Merseytravel during 2012/13

Future Developments

Regarding future developments the following are planned:-

(a) New and Improved Facilities programmed for 2013/14:

- To continue to renew the Mersey Tunnels through a £10.2m refurbishment programme
- Commence refurbishment works at Kirkby bus station
- Enhance bus service routes through the use of Better Bus Fund grants and LSTF funding

(b) Over the next 3-5 years:

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

Safe and Secure Network

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

Better Services

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

Value for Money

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

Research and Development

For the normally accepted definition of a company's R&D, there were no research and development activities during 2012/13 by the Merseytravel group.

Trade Payables

Provision has been made for known liabilities, goods received and work carried out as at 31 March 2012. Generally the Authority aims to pay all of its undisputed creditors within 30 days.

Within Merseytravel's Performance Plan a "payment within 30 days" target of 100% has been set, against which the actual performance was 96.1 %. This compares to a performance of 96.5% of undisputed creditors paid within 30 days during the year 2011/12

Directors of the Authority

The Directors of the Authority who held offices during 2012/13 were as follows:

J R Barclay	Director of Resources (resigned 31/12/12)
A G Stilwell	Director of Integrated Transport (resigned 31/12/12)
E Chandler	Director of Corporate Development
F Rogers	Director of Customer Services/Deputy Chief Executive
J Fogarty*	Temporary Shared Services Finance Director (appointed 19/9/12)

* now appointed Director of Resources with effect from 1/4/13

E Chandler
Director of Corporate Development

J Fogarty
Director of Resources

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Merseyside Integrated Transport Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Merseyside Integrated Transport Authority, that officer is the Director of Resources;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- approve the Statement of Accounts.

Responsibilities of the Director of Resources

The Director of Resources is responsible for the preparation of the Merseyside Integrated Transport Authority's Statement of Accounts, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("The Code"). The Statement of Accounts is required to present fairly the financial position of the Merseyside Integrated Transport Authority at the accounting date and its income and expenditure for the year end 31 March 2013.

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 present a true and fair view of the financial position of the Merseyside Integrated Transport Authority as at 31 March 2013 and its income and expenditure for the year ended 31 March 2013. The Statement of Accounts was authorised for issue by the Director of Resources on 26 September 2013. Events taking place after the Balance Sheet date have been considered up to the date of issue.

J Fogarty
Director of Resources

26 September 2013

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
ANNUAL GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

Scope of responsibility

The Merseyside Integrated Transport Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.

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

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

Many of the functions of The Authority are discharged by Merseyside Passenger Transport Executive (the Executive), which is a separate statutory body that is controlled by, and is accountable to The Authority. The Executive is subject to its own annual Statement of Accounts, however its governance framework reflects that of the Authority and as such, issues relating to the Executive are considered within this governance statement where appropriate.

The Authority also 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, the Authority is responsible for putting in place proper arrangements for the governance of its affairs. This includes facilitating the effective exercise of its functions, and making appropriate arrangements for the management of risk.

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

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

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and is 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 the Authority's policies, aims and objectives. It also seeks to evaluate the likelihood and potential impact of those risks being realised, and to manage these risks efficiently, effectively and economically.

The governance framework that was in place at the Authority for the year ended 31 March 2013 changed significantly during the year, and further changes have been implemented between the end of the financial year and the date of approval of the statement of accounts as part of a programme of on-going improvements to the governance framework that we are undertaking throughout 2013/14.

The governance framework

The governance framework itself is based around the organisation's Corporate Plan. This document establishes the key priorities for the Authority and has been determined following consultation with passengers and other key stakeholders within Merseyside and beyond.

The Corporate Plan for 2012/13 was the first of its kind for the Authority and effectively sets the template for all of the organisation's activities and articulates our priorities and values.

The Corporate Plan is supported by Directorate Plans and Service Plans and is underpinned by a budget and staffing structures that ensures our resources are available to meet our corporate objectives. A performance management system ensures that high-quality services are delivered effectively and efficiently. This is achieved through the translation of overall objectives into individual performance plans and by monitoring and measuring outcomes against key targets.

Training and development is an important aspect of the overall performance management framework and the organisation maintains a training and development programme linked to corporate priorities. That includes both officers and elected members.

The Authority has a constitution that contains procedure rules, standing orders, a scheme of delegation and financial regulations. These clearly define how decisions are taken and where authority lies. The constitution reflects the organisation's ethical standards.

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

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

Further assurance is provided through the maintenance of an Internal Audit function. 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. The work of our external auditors is also a key element of the assurance framework.

The organisation also maintains a register of key corporate risks and has risk management practices and processes in place as part of the overall governance framework.

Review of the effectiveness of the governance framework

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

The assessment of the effectiveness of the control framework is also informed by our external auditors and other review agencies and inspectorates. This external challenge has been particularly important in determining the effectiveness of the governance framework in 2012/13.

Well-publicised concerns raised from a number of sources in 2011/12 and 2012/13 prompted the Authority to seek a formal Peer Review of its governance arrangements in the summer of 2012. This was conducted by a team of senior professionals from the five Merseyside District Councils, and was led by the Chief Executives of Liverpool City Council and St Helens Council.

The Peer Review highlighted some significant governance concerns and presented the Authority with a detailed action plan to assist the organisation in improving its arrangements. This action plan was accepted in full and its contents have been incorporated into an annual governance improvement plan.

The review concluded that while the overall objectives of the Authority were clear, the governance arrangements did not sufficiently support the delivery of these objectives in a transparent and accountable manner.

The Peer Review Team found that the relative roles of the Authority and the Executive needed to be properly clarified to demonstrate clear lines of responsibility and accountability within a revised constitution, together with a clear and unambiguous definition of a key decision.

The Peer Review also found that Performance Management needed to be improved with more coherent links between corporate and service plans and individual targets and a greater focus on our core functions and responsibilities.

The governance issues raised by the Peer Review prompted further work in a number of areas that resulted in some further and specific issues becoming apparent in 2012/13. These primarily relate to governance and value for money issues prior to 2012/13.

In addition to general concerns relating to governance, The Authority was also subject to a number of complaints relating to governance that were dealt with through the confidential reporting procedures and through Internal Audit arrangements.

The concerns regarding governance relate to the quality and transparency of decision-making and the effectiveness of internal control over a period that pre-dates the 2012/13 Statement of Accounts.

The Authority took immediate action in 2012/13 to address these concerns, and its scheme of delegation and decision-making structures were changed to ensure that decisions are now subject to greater levels of scrutiny and challenge both internally and by elected members, than was the case prior to 2012/13.

As a result of the Peer Review and of changes made in 2012/13 the governance framework that was in place on 31st March 2013 is much more robust than in previous years. Swift action was taken in changing management structures, the committee structure and schemes of delegation in particular. The roles of both the Monitoring Officer and the Chief Financial Officer have been strengthened as part of these changes.

There is, however a degree of further work to be undertaken to ensure that all aspects of the governance framework are performing effectively and that the principles and practices of good governance become embedded throughout the organisation.

The Authority has changed significantly in 2012/13 and updating and addressing its governance framework is a key corporate priority. The challenges that remain are summarised in the section below.

Significant governance issues

Performance Management

The Authority has made a commitment to focus on core transport activity and, in particular, on delivering world class transport services on behalf of Merseyside.

Effective performance management arrangements will be needed to deliver these objectives and the good practice that is evident in some parts of the organisation needs to be extended and embedded throughout.

The Corporate Plan for 2013-2015 has established fewer but more focussed priorities than in other years, and these priorities are based around what the organisation considers to be its key objectives.

At the same time, a zero-based approach to budget-setting has been introduced that will focus resources on the achievement of these objectives. In 2012-13, over £10 million was identified through the zero-based process and this has been invested to support planned future commitments, including the replacement of the ageing Merseyrail fleet of rolling stock.

The next stage is to further develop and embed our performance management framework to ensure that the core objectives translate into service plans and targets for individual staff so that we can ensure that resources are being deployed effectively.

A suite of key performance indicators will be developed across all service areas and reported alongside financial performance though the revised Committee Structure.

The establishment of a Scrutiny Committee will improve performance management by providing effective and appropriate challenge from elected members and by ensuring that service managers, budget-holders, senior staff and directors are each made accountable for the effectiveness of the services they provide. This will be demonstrated through regular formal reporting of progress against Corporate Plan objectives and financial performance to elected members.

Risk Management

The Authority has robust arrangements for the management of key health and safety risks. The Health and Safety Risk Management system is ISO18000 compliant reflecting the fundamental importance of Health and Safety as a key corporate risk in the direct provision of transport services such as Mersey Ferries and the Mersey Tunnels.

In addition, technical and engineering risks in respect of our core infrastructure are also well-managed. Maintenance schedules are robust and the capital programme provides adequately for a rolling programme of investment that keeps our infrastructure assets, including the tunnels, the vessels and the riverside landing stages safe and effective.

It is apparent, however that this best-practice approach to risk management needs to be embedded across the whole organisation in respect to other forms of Corporate Risk. Our Peer Review recommended that the Corporate Risk Register is revised and that our arrangements for managing corporate risks are strengthened. In addition, our own Internal Audit of Risk Management arrangements in 2012/13 found some weaknesses in this area.

We have responded by establishing a Risk and Primary Assurance Group to advise the Authority on issues relating to risk and governance and by establishing an Audit and Governance Committee to oversee the production and maintenance of the Corporate Risk Register.

The Risk Register for 2012/13 contained a number of risks that were not corporate in nature. Equally, some clear corporate risks were not included, and the Peer Review made it very clear that the Risk Register needed to be reviewed.

It is important to note that while there are inconsistencies within the Risk Management process across the organisation, this does not mean that risks are not being managed effectively. Across the organisation there are examples of key strategic risks being well-managed however it is acknowledged that a consistent approach to risk needs to be adopted across all areas of the business.

A review of the Corporate Risk Register will be presented to The Authority in summer 2013 after consideration by the Audit and Governance Committee. As the body charged with corporate governance, the Audit and Governance Committee will oversee risk management and receive regular reports on the effectiveness of our arrangements.

Value for Money

A number of significant value for money concerns became apparent in 2012/13 and these are linked to the effectiveness of the organisation's governance framework in previous years. These issues include those which led to the Authority seeking a Peer Review in 2012/13, and a number of these issues continue to have an effect on the organisation.

In the years before 2012/13, the organisation acquired or established a number of subsidiary companies to deliver services that were not directly related to its core transport function. One such company was a marketing and ticketing company called 'Livesmart Ltd'.

In 2012/13 a major Internal Audit review of the organisation's relationship with Livesmart Ltd. was undertaken and this confirmed that the Authority had invested £6.5 million in this venture between 2006 and 2011/12, and also confirmed that this investment had realised very little that was ultimately of value to the Authority.

The Internal Audit review raised significant concerns about a governance framework that had allowed such losses to accrue over a number of years without any apparent challenge. The auditors identified a lack of transparency within decision-making and financial reporting in respect of the organisation's subsidiary companies as a primary factor in allowing this situation to develop.

Recommendations were made and accepted and we have amended the organisation's constitution to prevent such a situation recurring. Livesmart Ltd. has ceased to trade and was effectively closed down in 2012/13 and is now in the process of being formally wound down.

Another of the organisation's subsidiary interests is the Beatles Story visitor attraction. There are no governance issues relating to the operation and management of the Beatles Story, and the financial performance of the Beatles Story remains fundamentally sound.

Nonetheless, we received information relating to the valuation of Beatles Story assets purchased in 2008 which meant that these assets have had to be significantly impaired within the 2012-13 accounts at a significant loss to the organisation.

A further and significant value for money issue relates to the organisation's move into the new Head Quarters at Mann Island in March 2012. This move has significantly increased the premises costs to the organisation to the extent that they are disproportionate to the size and function of the organisation.

This situation has arisen because the organisation previously assumed the full occupancy risk associated with the building but have been unable to let all surplus office space to other tenants. The organisation continues to take steps to mitigate these losses and new tenants have been identified and secured in 2012/13.

Decision Making Process

The Peer Review identified a common theme apparent in the background to all these significant value for money issues. This theme was the transparency of decision making and, in particular, the relationship between the Authority and The Executive.

Both statutory bodies have taken steps to address this issue in 2012/13 by revising the committee structure and by making the minutes of the Passenger Transport Executive available to all elected members. Furthermore, The Authority has defined criteria for Key Decisions that would prevent any of the failures in governance identified above from recurring without the full knowledge of all elected members.

Further work will be carried out to clarify the roles of the Executive and the Authority and this work will be reflected in the terms of reference for all our key committees.

Internal Audit

Based on their work in 2012/13, the Head of Internal Audit found that internal control at The Authority was 'Adequate with Some Reservations'. These reservations have each been included in the Annual Governance Improvement Plan that underpins this document and progress towards the implementation of Internal Audit Recommendations will now be monitored by the Audit and Governance Committee.

The reservations identified within the Chief Internal Auditor's annual report included Risk Management and the relationship with Livesmart Ltd, both of which are considered above.

One further significant reservation related to contract monitoring in general, and in particular to changes made to the original concession agreement between the Executive and our rail concession holder. A number of changes to the original concession have been made over the course of many years and Internal Audit found that not all of these had been properly recorded and formally agreed between both parties.

Addressing this is a priority for all parties and agreed revisions to the original concession agreement will be formally codified and agreed in 2013/14.

The Peer Review examined the effectiveness of Internal Audit arrangements at The Authority based on the CIPFA Code of Practice for Internal Audit. The review made a series of recommendations towards improving the effectiveness of the Internal Audit service.

The recommendations have been accepted and the Internal Audit section is currently under review. We will once again review the effectiveness of the service in 2013/14 to ensure that the necessary improvements have been made.

SUMMARY

2012/13 was a pivotal year for both the Authority and the Executive, with significant changes in both the committee structure and in the management and leadership of the organisation. It was a year in which some significant value for money issues forced the organisation to examine its overall governance framework.

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

The Audit and Governance Committee will now act as the body charged with governance and will oversee the effectiveness of the governance framework and the changes that have been made in 2012/13. The Authority now also has a Scrutiny Committee to provide effective challenge particularly around value for money and the effectiveness of service delivery.

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

Cllr Liam Robinson: Chair of Merseyside Integrated Transport Authority

26 September 2013

David Brown: Chief Executive, Merseyside Integrated Transport Authority

26 September 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY

We have audited the financial statements of Merseyside Integrated Transport Authority for the year ended 31 March 2013 on pages 19 to 69. 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 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the 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 the Responsibilities of the Director of Resources, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to 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 Explanatory Foreword to identify material inconsistencies with the audited financial statements. 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 2013 and of the Authority's and the Group's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Matters on which we are required to report by exception

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

- the annual governance statement set out on pages 11 to 16 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of the Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or

- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

Other matters on which we are required to conclude

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

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in November 2012, we have considered the results of the following:

- our review of the annual governance statement;
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities; and
- locally determined risk-based work on the governance issues that came to light in the year.

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

Certificate

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

John Graham Prentice

For, and on behalf of, KPMG LLP Appointed Auditor

Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

30 September 2013

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

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

In addition, these tables summarise the key sources of income and financial support the Authority receives. Crucial to these are the Special Rail Grant that funds local rail services and the Levy received from the Merseyside District Councils. This Levy is approved by the ITA at its February budget meeting. A grant is paid to the MPTE to provide services the ITA deem socially necessary. The ITA grant is a product of its levy on the five district councils and is the net sum after those costs borne by the ITA have been accounted for.

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

2011/12				2012/13			
Gross Expenditure	Gross Income	Net Expenditure	MITA	Gross Expenditure	Gross Income	Net Expenditure	Notes
£000	£000	£000		£000	£000	£000	
226,591	42,539	184,052	Highways & Transport Services	220,819	40,997	179,822	5
959	-	959	Corporate & Democratic core	896	-	896	
233	1,000	(767)	Non distributed costs*	24	10	14	
227,783	**43,539**	**184,244**	**Cost of Services**	**221,739**	**41,007**	**180,732**	
18,548	4,686	13,862	Financing & Investment income	17,170	3,975	13,195	
641	230,885	(230,244)	Taxation & non specific grant income	-	230,387	(230,387)	
246,972	**279,110**	**(32,138)**	**(Surplus)/deficit on Provision of Services**	**238,909**	**275,369**	**(36,460)**	
-	-	-	Impairment of investments	-	-	-	
4,383	-	4,383	Actuarial (gains)/losses on pension assets/liabilities	3,106		3,106	
4,383	**-**	**4,383**	**Other comprehensive income & expenditure**	**3,106**	**-**	**3,106**	
251,355	**279,110**	**(27,755)**	**Total Comprehensive Income & Expenditure**	**242,015**	**275,369**	**(33,354)**	

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

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

2011/12				2012/13			
Gross Expenditure	Gross Income	Net Expenditure	GROUP	Gross Expenditure	Gross Income	Net Expenditure	Notes
£000	£000	£000		£000	£000	£000	
266,990	187,849	79,141	Highways & Transport Services	272,267	187,985	84,282	5
959	-	959	Corporate & Democratic core	896	-	896	5
4,265	1,000	3,265	Non distributed costs*	3,106	-	3,106	5
272,214	**188,849**	**83,365**	**Cost of Services**	**276,269**	**187,985**	**88,284**	5
29,362	14,524	14,838	Financing & Investment income	27,614	13,006	14,608	5
641	139,006	(138,365)	Taxation & non specific Grant income	-	141,440	(141,440)	5
302,217	**342,379**	**(40,162)**	**(Surplus)/deficit on Provision of Services**	**303,883**	**342,431**	**(38,548)**	5
-	-	-	Impairment of investments	1,295		1,295	
16,023	-	16,023	Actuarial (gains)/losses on pension assets/liabilities	14,647	-	14,647	
16,023	**-**	**16,023**	**Other comprehensive income & expenditure**	**15,942**	**-**	**15,942**	
318,240	**342,379**	**(24,139)**	**Total Comprehensive Income & Expenditure**	**319,825**	**342,431**	**(22,606)**	
			(Surplus)/deficit attributable to:				
		(24,160)	MITA			**(22,606)**	
		21	Minority interests			**-**	
		(24,139)	**Total (Surplus)/deficit**			**(22,606)**	

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

Balance Sheet

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

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

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
BALANCE SHEET AS AT 31 MARCH 2013

As at 31/03/2012 Authority £000	As at 31/03/2012 Group £000		As at 31/03/2013 Authority £000	As at 31/03/2013 Group £000	Note No.
		NON-CURRENT ASSETS			
		Property, Plant & Equipment:			
3,806	3,806	Freehold Property	4,843	4,843	
5,930	6,614	Leasehold Property	5,536	6,181	
1,143	29,034	Vehicles, Plant, Furniture & Equipment, Vessels	1,348	28,628	
269,269	348,767	Infrastructure Assets	272,404	350,318	
-	893	Assets Under Construction	-	893	
74	599	Surplus Assets	74	593	
280,222	389,713	**Total PPE**	284,205	391,456	15
450	835	**Heritage assets**	450	835	16
-	1,698	**Intangible Assets:**	-	1,695	19
-	1,294	**Investments**	-	-	20
3,908	837	**Long Term Debtors**	3,785	818	24
284,580	394,377	**TOTAL NON-CURRENT ASSETS**	288,440	394,804	
		CURRENT ASSETS			
47,237	47,237	Short-term investments	90,225	90,225	21
-	1,800	Assets Held for Sale	-	-	22
408	972	Inventories	615	1,072	23
9,276	20,372	Short Term Debtors	9,494	24,698	24
33,514	57,367	Cash and cash equivalents	31,130	58,241	25
90,435	127,748	**TOTAL CURRENT ASSETS**	131,464	174,236	
375,015	**522,125**	**TOTAL ASSETS**	**419,904**	**569,040**	
		CURRENT LIABILITIES			
(11,282)	(11,282)	Short Term Borrowing	(11,379)	(11,379)	29
(46,928)	(38,979)	Short Term Creditors	(67,403)	(62,085)	26
(225)	(354)	Provisions	(228)	(467)	27
(58,435)	(50,615)	**TOTAL CURRENT LIABILITIES**	(79,010)	(73,931)	
32,000	77,133	**NET CURRENT ASSETS**	52,454	100,305	
		NON-CURRENT LIABILITIES			
-	(110)	Long Term Creditors	-	(168)	
(641)	(3,952)	Provisions	(605)	(3,313)	27
(246,777)	(246,777)	Long Term Borrowing	(235,398)	(235,398)	29
(12,242)	(70,315)	Pension Liability	(15,324)	(83,968)	31
(9,808)	(9,808)	Other Long Term Liabilities	(9,101)	(9,108)	34
(269,468)	(330,962)	**TOTAL NON CURRENT LIABILITIES**	(260,428)	(331,955)	
47,112	**140,548**	**NET ASSETS**	**80,466**	**163,154**	
		FUNDS BALANCES & RESERVES			
42,117	86,144	Useable Reserves	63,461	108,654	30
4,995	55,193	Unusable Reserves	17,005	54,502	30
-	(789)	Minority Interest	-	(2)	
47,112	**140,548**	**TOTAL RESERVES**	**80,466**	**163,154**	

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

E Chandler
Director of Corporate Development
26 September 2013

J Fogarty
Director of Resources
26 September 2013

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
MOVEMENT IN RESERVES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

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

Group 2011/12	**Revenue Reserves £000**	**Earmarked Reserve £000**	**Total Useable Reserves £000**	**Pension Reserve (Note 30) £000**	**Revaluation Reserve (Note 30) £000**	**Deferred Capital Grants £000**	**Financial Instruments (Note 30) £000**	**Capital Adjustment Account (Note 30) £000**	**Total Unusable Reserves £000**	**Minority Interest £000**	**Total Reserves £000**
Bal b/f 1st April 2011	**2,082**	**66,709**	**68,791**	**(55,810)**	**6,423**	**98,436**	**62**	**(725)**	**48,386**	**(768)**	**116,409**
Movement in Reserves											-
Surplus on the provision of services	40,183	-	**40,183**	-	-	-	-	-	-	**(21)**	**40,162**
Actuarial gains/losses on Pensions		-	**-**	(16,023)	-	-	-	-	**(16,023)**		**(16,023)**
Total comprehensive income & expenditure	**40,183**	**-**	**40,183**	**(16,023)**	**-**	**-**	**-**	**-**	**(16,023)**	**(21)**	**24,139**
Pensions charged to CIES (Note 31)	4,415	-	**4,415**	(4,415)	-	-	-	-	(4,415)		-
Employers contribution	(5,933)	-	**(5,933)**	5,933	-	-	-	-	5,933		-
Grants applied MITA revenue from capital	(11,066)	11,066	**-**	-	-	-	-	-	-		-
Capital grants applied to PPE	-	(9,585)	**(9,585)**	-	-	9,585	-	-	9,585		-
Release from reserves re depreciation	8,025	-	**8,025**	-	(644)	(4,503)	-	(2,878)	(8,025)		-
Premiums/discounts re extinguished loans	13	-	**13**	-	-	-	(13)	-	(13)		-
Capital expenditure charged to general fund	(9,352)	-	**(9,352)**	-	-	-	-	9,352	9,352		-
Statutory provision for financing charged to General fund	(11,044)	-	**(11,044)**	-	-	-	-	11,044	11,044		-
Disposal of assets held for sale	631	-	**631**	-	-	(631)	-	-	(631)		-
Adjustments between accounting basis and funding basis under regulations (Note 4)	**(24,311)**	**1,481**	**(22,830)**	**1,518**	**(644)**	**4,451**	**(13)**	**17,518**	**22,830**	**-**	**-**
Net increase/(decrease) before transfers to earmarked funds	**15,872**	**1,481**	**17,353**	**(14,505)**	**(644)**	**4,451**	**(13)**	**17,518**	**6,807**	**(21)**	**24,139**
Transfers to/from earmarked funds											
Transfers to earmarked reserves	(21,386)	21,386	-	-	-	-	-	-	-		-
Released from reserves	5,157	(5,157)	-	-	-	-	-	-	-		-
Total transfers to/from earmarked funds	**(16,229)**	**16,229**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase/(Decrease) in year	**(357)**	**17,710**	**17,353**	**(14,505)**	**(644)**	**4,451**	**(13)**	**17,518**	**6,807**	**(21)**	**24,139**
Balance 31 March 2012 carried forward	**1,725**	**84,419**	**86,144**	**(70,315)**	**5,779**	**102,887**	**49**	**16,793**	**55,193**	**(789)**	**140,548**

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
MOVEMENT IN RESERVES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

Group 2012/13	Revenue Reserves £000	Earmarked Reserve £000	Total Useable Reserves £000	Pension Reserve (Note 30) £000	Revaluation Reserve (Note 30) £000	Deferred Capital Grants £000	Financial Instruments (Note 30) £000	Capital Adjustment Account (Note 30) £000	Total Unusable Reserves £000	Minority Interests £000	Total Reserves £000
Bal b/f 1st April 2012	**1,725**	**84,419**	**86,144**	**(70,315)**	**5,779**	**102,887**	**49**	**16,793**	**55,193**	**(789)**	**140,548**
Movement in Reserves											
Surplus on the provision of services	38,548	-	**38,548**	-	-	-	-	-	**-**		**38,548**
Impairment of investments	(1,295)	-	**(1,295)**	-	-	-	-	-	**-**		**(1,295)**
Actuarial gains/losses on Pensions	-	-	**-**	(14,647)	-	-	-	-	**(14,647)**		**(14,647)**
Total comprehensive income & expenditure	**37,253**	**-**	**37,253**	**(14,647)**	**-**	**-**	**-**	**-**	**(14,647)**	**-**	**22,606**
Pensions charged to CIES (note 31)	5,233	-	5,233	(5,233)	-	-	-	-	(5,233)	-	-
Employers contribution	(6,227)	-	(6,227)	6,227	-	-	-	-	6,227	-	-
Capital grants applied to PPE	-	(5,230)	(5,230)	-	-	5,230	-	-	5,230	-	-
Release from reserves re depreciation	8,683	-	8,683	-	(1,536)	(4,057)	-	(3,090)	(8,683)	-	-
Premiums/discounts re extinguished loans	13	-	13	-	-	-	(13)	-	(13)	-	-
Capital expenditure charged to general fund	(7,500)	-	(7,500)	-	-	-	-	7,500	7,500	-	-
Statutory provision for financing charged to General fund	(10,728)	-	(10,728)	-	-	-	-	10,728	10,728	-	-
Disposal of assets held for sale		1,800	1,800	-	-	(1,800)	-	-	(1,800)	-	-
Adjustments between accounting basis and funding basis under regulations (Note 4)	**(10,526)**	**(3,430)**	**(13,956)**	**994**	**(1,536)**	**(627)**	**(13)**	**15,138**	**13,956**	**-**	**-**
Net increase/(decrease) before transfers to earmarked funds	**26,727**	**(3,430)**	**23,297**	**(13,653)**	**(1,536)**	**(627)**	**(13)**	**15,138**	**(691)**	**-**	**22,606**
Transfers to/from earmarked funds											
Transfers to earmarked reserves	(25,748)	24,961	(787)	-	-	-	-	-	-	787	-
Total transfers to/from earmarked funds	(25,748)	24,961	(787)	-	-	-	-	-	-	787	-
Increase/(Decrease) in year	**979**	**21,531**	**22,510**	**(13,653)**	**(1,536)**	**(627)**	**(13)**	**15,138**	**(691)**	**787**	**22,606**
Balance 31 March 2013 carried forward	**2,704**	**105,950**	**108,654**	**(83,968)**	**4,243**	**102,260**	**36**	**31,931**	**54,502**	**(2)**	**163,154**

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
MOVEMENT IN RESERVES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

MITA 2011/12	Revenue Reserves £000	Earmarked Reserve £000	Total Useable Reserves £000	Pension Reserve (Note 30) £000	Revaluation Reserve (Note 30) £000	Financial Instruments (Note 30) £000	Capital Adjustment Account (Note 30) £000s	Total Unusable Reserves £000	Total Reserves £000
Bal b/f 1st April 2011	**1,142**	**28,598**	**29,740**	**(10,231)**	**511**	**62**	**(725)**	**(10,383)**	**19,357**
Movement in Reserves during 2011/12:									
Surplus on the provision of services	32,138	-	**32,138**	-	-	-	-	-	**32,138**
Actuarial gains/losses on Pensions	-	-	-	(4,383)	-	-	-	**(4,383)**	**(4,383)**
Total comprehensive income & expenditure	**32,138**	**-**	**32,138**	**(4,383)**	**-**	**-**	**-**	**(4,383)**	**27,755**
Pensions charged to CIES (note 31)	(1,435)	-	(1,435)	1,435	-	-	-	1,435	-
Employers contribution	(937)	-	(937)	937	-	-	-	937	-
Release from reserves re depreciation	2,994	-	2,994	-	(116)	-	(2,878)	(2,994)	-
Premiums/discounts re extinguished loans	13	-	13	-	-	(13)	-	(13)	-
Capital expenditure charged to general fund	(9,352)	-	(9,352)	-	-	-	9,352	9,352	-
Statutory provision for financing charged to General fund	(11,044)	-	(11,044)	-	-	-	11,044	11,044	-
Capital grants received	11,066		11,066	-	-	-	(11,066)	(11,066)	-
Grants applied	(11,066)		(11,066)	-	-	-	11,066	11,066	-
Adjustments between accounting basis and funding basis under regulations (Note 4)	**(19,761)**	**-**	**(19,761)**	**2,372**	**(116)**	**(13)**	**17,518**	**19,761**	**-**
Net increase/(decrease) before transfers to earmarked funds	**12,377**	**-**	**12,377**	**(2,011)**	**(116)**	**(13)**	**17,518**	**15,378**	**27,755**
Transfers to/from earmarked funds									
Transfers to earmarked reserves	(13,018)	13,018	-	-	-	-	-	-	-
Released from reserves	641	(641)	-	-	-	-	-	-	-
Total transfers to/from earmarked funds	(12,377)	12,377	-	-	-	-	-	-	-
Increase/(Decrease) in year	**-**	**12,377**	**12,377**	**(2,011)**	**(116)**	**(13)**	**17,518**	**15,378**	**27,755**
Balance 31 March 2012 carried forward	**1,142**	**40,975**	**42,117**	**(12,242)**	**395**	**49**	**16,793**	**4,995**	**47,112**

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
MOVEMENT IN RESERVES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

MITA 2012/13	Revenue Reserves £000	Earmarked Reserve £000	Total Useable Reserves £000	Pension Reserve (Note 30) £000	Revaluation Reserve (Note 30) £000	Financial Instruments (Note 30) £000	Capital Adjustment Account (Note 30) £000	Total Unusable Reserves £000	Total Reserves £000
Bal b/f 1st April 2012	**1,142**	**40,975**	**42,117**	**(12,242)**	**395**	**49**	**16,793**	**4,995**	**47,112**
Movement in Reserves during 2012/13:									
Surplus on the provision of services	36,460	-	**36,460**	-	-	-	-	**-**	**36,460**
Actuarial gains/losses on Pensions	-	-	**-**	(3,106)	-	-	-	**(3,106)**	**(3,106)**
Total comprehensive income & expenditure	**36,460**	**-**	**36,460**	**(3,106)**	**-**	**-**	**-**	**(3,106)**	**33,354**
		-	-		-	-	-	-	-
Pensions charged to CIES (note 31)	660	-	660	(660)	-	-	-	(660)	-
Employers contribution	(684)	-	(684)	684	-	-	-	684	-
Release from reserves re depreciation	3,123	-	3,123	-	(33)	-	(3,090)	(3,123)	-
Premiums/discounts re extinguished loans	13	-	13	-	.	(13)	-	(13)	-
Capital expenditure charged to general fund	(7,500)	-	(7,500)	-	-	-	7,500	7,500	-
Statutory provision for financing charged to General fund	(10,728)	-	(10,728)	-	-	-	10,728	10,728	-
Capital grants received	8,900		8,900	-	-	-	(8,900)	(8,900)	-
Grants applied	(8,900)		(8,900)	-	-	-	8,900	8,900	-
Adjustments between accounting basis and funding basis under regulations (Note 4)	**(15,116)**	**-**	**(15,116)**	**24**	**(33)**	**(13)**	**15,138**	**15,116**	**-**
Net increase/(decrease) before transfers to earmarked funds	**21,344**	**-**	**21,344**	**(3,082)**	**(33)**	**(13)**	**15,138**	**12,010**	**33,354**
Transfers to/from earmarked funds									
Transfers to earmarked reserves	(21,344)	21,344	-	-	-	-	-	-	-
Total transfers to/from earmarked funds	(21,344)	21,344	-	-	-	-	-	-	-
Increase/(Decrease) in year	**-**	**21,344**	**21,344**	**(3,082)**	**(33)**	**(13)**	**15,138**	**12,010**	**33,354**
Balance 31 March 2013 carried forward	**1,142**	**62,319**	**63,461**	**(15,324)**	**362**	**36**	**31,931**	**17,005**	**80,466**

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

MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

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

2012			2013		Note No
Authority £000	**Group £000**		**Authority £000**	**Group £000**	
		Operating Activities			
(32,138)	(40,162)	Net (Surplus)/Deficit on the provision of services	(36,460)	(38,548)	
		Adjustments to net surplus or deficit on the provision of services			
(2,994)	(8,971)	Depreciation and impairment of property, plant and equipment	(3,526)	(11,039)	
6,963	9,969	(Increase)/Decrease in trade and other receivables	218	4,326	
(113)	(33)	(Increase)/Decrease in inventories	207	101	
(24,849)	(22,754)	Increase/(Decrease) in trade and other payables	(16,755)	(22,714)	
2,015	1,082	Movement in Provisions	33	526	
		Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:			
-	-	Difference between pension contributions paid and the amounts recognised in the income statement	-	-	
2,372	1,518	Transfer from pension reserve	24	994	
-	(48)	Gain on sale of property plant and equipment	-		
-	-	Gain/Loss on available-for-sale assets	-	(21)	
-	25	Revaluation of Non Current assets	-		
(48,744)	**(59,374)**	**Net cash flow from operating activities**	**(56,259)**	**(66,375)**	25
		Investing Activities			
16,831	26,697	Purchase of property, plant and equipment and intangible assets	7,696	13,029	
-	-	Proceeds from sale of assets held for sale	-	(1,779)	
8,924	8,924	Purchase of short term and long term investments	42,988	42,988	
(317)	669	Loans Advanced			
	-	Loans Repaid	(123)	(19)	
25,438	**36,290**	**Net cash flows from investing activities**	**50,561**	**54,219**	
		Financing Activities			
-	-	Internal loan from PTE	(3,200)	-	
5,400	-	Repayment of internal loan to PTE		-	
12,967	12,967	Repayment of short term and long term borrowing	11,282	11,282	
18,367	**12,967**	**Net cash flows from financing activities**	**8,082**	**11,282**	
(4,939)	**(10,117)**	**Net (increase)/decrease in cash and cash equivalents**	**2,384**	**(874)**	
(28,575)	(47,250)	Cash and cash equivalents as at 1 April	(33,514)	(57,367)	
(33,514)	**(57,367)**	**Cash and cash equivalents as at 31 March**	**(31,130)**	**(58,241)**	

1. Summary of Significant Accounting Policies

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2011, and the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (The Code).

The financial statements were authorised for issue by the directors on Friday 28 June 2013. The Director of Resources (Section 151 Officer) has on 28 June 2013, authorised that this Statement of Accounts should be issued for distribution. This is the date up to which events after the balance sheet date have been considered.

Basis of Preparation

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

Compliance with the IFRS-based Code

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

Group Accounts and Basis of Consolidation

The consolidated financial statements comprise the accounts of the Authority, Merseyside Passenger Transport Executive and its subsidiary and associated undertakings as at 31 March 2013, which are listed in note 20.

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

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

Interests in subsidiaries and unlisted equity interests

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

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

Income and expenditure

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

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

Government Grants and Contributions

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

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

1 Summary of Significant Accounting Policies (continued)

Lease Income

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

Lease expenditure

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

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

The Authority is required to participate in the CRC energy efficiency scheme. This scheme is currently in its introductory phase, which lasts until 31 March 2014. The Authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions (i.e. carbon dioxide produced) as energy is used. As emissions occur a liability and an expense are recognised. This liability is discharged by surrendering allowances. The liability is measured as the best estimate, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost (estimated at £120k) is recognised and reported in the cost of services, and is apportioned to services on the basis of energy consumption.

Property, Plant and Equipment

Recognition**:** Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that future economic benefits or service potential associated with the asset flow to the Executive or Group and the cost of the item can be measured reliably. General repair and maintenance costs are recognised in the statement of comprehensive income and expenditure in the period in which they are incurred. Measurement: Assets are initially measured at cost comprising the purchase price, any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and disposal of the asset where considered material.

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

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

The majority of fixed assets with a value of £7,500 (i.e. de-minimis threshold for capitalisation purposes) or more were valued, during a quinquennial valuation, as at 31 March 2009. For each of the five years between formal valuations, the historical value of all new capital investment, regardless of the £7,500 threshold, will be assumed to be at current values with appropriate adjustments being made in the accounts at the next formal quinquennial valuation.

Surpluses arising on the valuation of fixed assets are credited to the fixed asset revaluation reserve. Subsequent revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur. The directors are not aware of any material changes to the asset values since the date of revaluation.

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

1 Summary of Significant Accounting Policies (continued)

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

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

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

Capital expenditure and capital financing

Capital project grants are recognised as income in the period in which they are received. Expenditure is classified as assets under construction. Upon the assets becoming available for use, the expenditure is categorised to the appropriate class of property, plant and equipment and depreciated 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..

Heritage Assets – FRS30

These assets are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. The Authority holds heritage assets at their valuation based upon an external valuation in March 2009 by the District Valuers Service (see Note 16).

Assets held for sale

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

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

1 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets

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

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

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

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

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

Goodwill

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

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

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

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

The Authority has taken advantage of the option under the first time adoption provision 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.

1 Summary of Significant Accounting Policies (continued)

Financial Assets

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

Subsequent measurement depends on their classification as follows:-

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

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

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

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

Financial Liabilities

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

Subsequent measurement depends on their classification as follows:

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

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

Finance leases: refer to other information below.

Offsetting of Financial Assets and Liabilities

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

1 Summary of Significant Accounting Policies (continued)

Debtors

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

Provisions, contingent liabilities and contingent assets

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

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

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

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

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

Pensions

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

The employees of the Authority 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 profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested.

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

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.

1 Summary of Significant Accounting Policies (continued)

Actuarial gains and losses are recognised in full in other comprehensive income in the period in which they occur.

Pension costs have been 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.

Revenue Expenditure Funded from Capital under Statute

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

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

Prudential borrowing

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

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

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

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

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

Revaluation Reserve and Capital Adjustment Account

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

Capital Receipts

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

Overhead and Support Service Allocation
In line with best practice, charges for the cost of central support services are fully charged or apportioned to those that benefit from the supply of service, using time recording and other methods. A proportion of these costs are recharged to the Authority by the Executive.

1 Summary of Significant Accounting Policies (continued)

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

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

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

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

Tunnels Surplus/Deficit

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

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

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

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

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

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

- Amendments to *IAS1 - Presentation of Financial statements* issued in June 2011 – this standard addresses presentation, there is no impact on the amounts included in the financial statements.
- Amendments to IFRS 7 – Financial Instruments: Disclosures (Offsetting financial assets and liabilities) issued in Dec 2011- The amendment to this standard would have no effect as the Executive has no financial assets and liabilities that would meet the recognition criteria for offset.
- Amendments to IAS 19 – *Employment benefits* issued in June 2011 – The impact of the amendments is shown in note 0.
- Amendments to IAS 12 - Deferred Tax: Recovery of Underlying Assets issued December 2010 – The amendment to this standard has no effect as the Group has no material deferred tax assets.

3. Significant accounting judgements, estimates and assumptions

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

Judgements

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

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

Estimates and Assumptions

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

Property revaluation: The Authority measures some other assets at re valued amounts with any changes being recognised within reserves. Periodically, external surveyors are used and the last independent survey was carried out at March 2009. Between independent surveys, reviews are carried out by internal but qualified staff. Such valuations and any attached estimates are subject to some sensitivity.

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

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

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

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

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

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4. Adjustments between accounting basis and funding basis under regulations

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

Group	2012/13			
	General Fund Balance	Other Usable Reserve	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Income and Expenditure Statement:				
Charge for depreciation and impairment of non-current assets	(8,683)	-	8,683	-
Capital grants and contributions applied	13,814	-	(13,814)	-
Revenue Expenditure Funded from Capital under Statute	(13,814)	-	13,814	-
Amounts of non-current assets written off on disposal or sales as part of the gain/loss on disposal.	-	(1,800)	1,800	-
Capital Grants applied to PPE	-	5,230	(5,230)	-
Insertion of items not debited or credited to the income and Expenditure Statement:				-
Adjustments primarily involving CIES				-
Statutory provision for the financing of capital investment	10,728	-	(10,728)	-
Capital expenditure charged against the General Fund	7,500	-	(7,500)	-
				-
Adjustments primarily involving the Pensions Reserve				-
Pension costs charged to CIES (Note 31)	(5,233)	-	5,233	-
Employer's pensions contributions and direct payments	6,227		(6,227)	-
				-
Adjustments primarily involving the Financial Instruments Adjustment Account:				-
Amount by which finance costs charged to the Income and Expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(13)	-	13	-
Total Adjustments	**10,526**	**3,430**	**(13,956)**	**-**

Group	2011/12			
	General Fund Balance	Other Usable Reserves	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Income and Expenditure Statement:				
Charge for depreciation and impairment of non-current assets	(8,656)	-	8,656	-
Capital grants and contributions applied	11,066	-	(11,066)	-
Revenue Expenditure Funded from Capital under Statute	-	(11,066)	11,066	-
Capital Grants applied to PPE	-	9,585	(9,585)	-
Insertion of items not debited or credited to the income and Expenditure Statement:				-
Adjustments primarily involving the CIES				-
Statutory provision for the financing of capital investment	11,044	-	(11,044)	-
Capital expenditure charged against the General Fund	9,352	-	(9,352)	-
				-
Adjustments primarily involving the Pensions Reserve				-
Pension costs charged to CIES (Note 31)	(4,415)	-	4,415	-
Employer's pensions contributions and direct payments	5,933	-	(5,933)	-
				-
Adjustments primarily involving the Financial Instruments Adjustment Account				-
Amount by which finance costs charged to the Income and Expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(13)	-	13	-
Total Adjustments	**24,311**	**(1,481)**	**(22,830)**	**-**

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

Authority	2012/13 General Fund Balance	2012/13 Other Usable Reserve	2012/13 Unusable Reserves	2012/13 Total Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Income and Expenditure Statement:				
Charge for depreciation and impairment of non-current assets	(3,090)	-	3,090	-
Revaluation losses on Property, Plant and Equipment	-	(33)	33	-
Capital grants and contributions applied	8,900	-	(8,900)	-
Revenue Expenditure Funded from Capital under Statute	(8,900)	-	8,900	-
				-
Insertion of items not debited or credited to the income and Expenditure Statement:				-
Adjustments primarily involving CIES:				-
Statutory provision for the financing of capital investment	10,728	-	(10,728)	-
Capital expenditure charged against the General Fund	7,500	-	(7,500)	-
				-
Adjustments primarily involving the Pensions Reserve				-
Pension costs charged to CIES (Note 31)	(660)	-	660	-
Employer's pensions contributions and direct payments	684		(684)	-
				-
Adjustments primarily involving the Financial Instruments Adjustment Account:				-
Amount by which finance costs charged to the Income and Expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(13)	-	13	-
Total Adjustments	**15,149**	**(33)**	**(15,116)**	**-**

Authority	2011/12 General Fund Balance	2011/12 Other Usable Reserve	2011/12 Unusable Reserves	2011/12 Total Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Income and Expenditure Statement:				
Charge for depreciation and impairment of non-current assets	(2,994)	-	2,994	-
Capital grants and contributions applied	11,066	-	(11,066)	-
Revenue Expenditure Funded from Capital under Statute	(11,066)		11,066	-
				-
Insertion of items not debited or credited to the income and Expenditure Statement:				-
Adjustments primarily involving CIES				-
Statutory provision for the financing of capital investment	11,044	-	(11,044)	-
Capital expenditure charged against the General Fund	9,352	-	(9,352)	-
				-
				-
Adjustments primarily involving the Pensions Reserve				-
Pension cost charged to CIES (Note 31)	1,435	-	(1,435)	-
Employer's pensions contributions and direct payments	937		(937)	-
				-
Adjustments primarily involving the Financial Instruments Adjustment Account				-
Amount by which finance costs charged to the Income and Expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(13)	-	13	-
Total Adjustments	**19,761**	**-**	**(19,761)**	**-**

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

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

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

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

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

2011/12				2012/13		
Exp £'000	Income £'000	Net £'000	MITA	Exp £'000	Income £'000	Net £'000
35,906	38,369	(2,463)	Mersey Tunnels	37,025	37,709	(684)
4,244	4,244	-	Headquarters	3,288	3,288	-
(4,125)	5,463	(9,588)	Funds Management	(1,640)	9,317	(10,957)
(5,537)	(5,537)	-	Inter-Dept Charges	(9,317)	(9,317)	-
(9,352)		(9,352)	Capital expenditure charged to Mersey Tunnels	(7,509)	-	(7,509)
194,389		194,389	Grant to PTE; Revenue Support	190,072	-	190,072
11,066		11,066	Grant to PTE; Capital	8,900	-	8,900
226,591	**42,539**	**184,052**	**Highways & Transportation**	**220,819**	**40,997**	**179,822**
959	-	959	Corporate and Democratic Core	896	-	896
959	**-**	**959**	**Corporate & Democratic Core**	**896**	**-**	**896**
233	1,000	(767)	Transfer to Provisions	24	10	14
233	**1,000**	**(767)**	**Non Distributed costs**	**24**	**10**	**14**
227,783	**43,539**	**184,244**	**Cost of Services**	**221,739**	**41,007**	**180,732**
2,891	2,834	57	Pensions – return on assets/interest costs	2,425	2,162	263
15,657	1,852	13,805	Interest receivable and payable	14,745	1,813	12,932
18,548	**4,686**	**13,862**	**Financing & Investment Income**	**17,170**	**3,975**	**13,195**
-	11,066	(11,066)	Other income	-	13,814	(13,814)
641	-	641	Use of reserves	-	-	-
-	127,364	(127,364)	Levy	-	127,364	(127,364)
-	92,455	(92,455)	SRG	-	89,209	(89,209)
641	**230,885**	**(230,244)**	**Taxation & Non specific Grant Income**	**-**	**230,387**	**(230,387)**
246,972	**279,110**	**(32,138)**	**(Surplus)/Deficit on Provision of Services**	**238,909**	**275,369**	**(36,460)**

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

2011/12				2012/13		
Exp	Income	Net	GROUP	Exp	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
35,906	38,369	(2,463)	Mersey Tunnels	37,025	37,709	(684)
27,703	10,104	17,599	Bus Services	28,118	9,111	19,007
110,289	110,502	(213)	Rail Services	109,731	108,376	1,355
79,336	23,520	55,816	Concessionary Travel	81,828	26,528	55,300
12,894	6,711	6,183	Hubs	7,999	1,712	6,287
10,833	8,391	2,442	MFL Group	11,905	8,420	3,485
1,710	5,563	(3,853)	Funds Management	5,799	9,417	(3,618)
(40,353)	(40,353)	-	Inter Dept Charges	(39,356)	(39,356)	-
(9,352)	-	(9,352)	Capital expenditure charged to Mersey Tunnels	(7,509)	-	(7,509)
38,024	25,042	12,982	Other Services	36,727	26,068	10,659
266,990	**187,849**	**79,141**	**Highways & Transportation**	**272,267**	**187,985**	**84,282**
959	-	959	Corporate and democratic core	896	-	896
959	**-**	**959**	**Corporate & Democratic Core**	**896**	**-**	**896**
1,366	1,000	366	Transfer to Provisions	200	-	200
2,899	-	2,899	Pensions special contributions	2,906	-	2,906
4,265	**1,000**	**3,265**	**Non Distributed costs**	**3,106**	**-**	**3,106**
272,214	**188,849**	**83,365**	**Cost of Services**	**276,269**	**187,985**	**88,284**
13,689	12,669	1,020	Pensions – return on assets/interst costs	12,861	11,193	1,668
15,664	1,855	13,809	External interest	14,745	1,813	12,932
9	-	9	Taxation & Non specific Grant Income	8	-	8
29,362	**14,524**	**14,838**	**Financing & Investment Income**	**27,614**	**13,006**	**14,608**
-	11,066	(11,066)	Other income		13,814	(13,814)
-	219	(219)	EU Grants		262	(262)
641	357	284	Use of reserves			-
-	127,364	(127,364)	Levy		127,364	(127,364)
641	**139,006**	**(138,365)**	**Taxation & Non specific Grant Income**	**-**	**141,440**	**(141,440)**
302,217	**342,379**	**(40,162)**	**(Surplus)/Deficit on Provision of Services**	**303,883**	**342,431**	**(38,548)**

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

(a) Analysis of 2013 principal directorates

Group 2013	Mersey Tunnels	Bus services	Rail services	Prepaid and concessionary travel	Ferry and tourism services	Other Services	Total segments	Inter departmental charges, depreciation and pensions	Non distributed costs	Cost of services reported in CIES
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees charges and service income	37,709	9,111	19,174	26,528	7,720	37,197	137,439	(39,356)	-	98,083
Government grant income	-	-	89,202	-	-	-	89,202	-	-	89,202
Other grant income	-	-	-	-	700	-	700	-	-	700
Total income	37,709	9,111	108,376	26,528	8,420	37,197	227,341	(39,356)	-	187,985
Franchises and operators	-	24,683	87,837	77,695	-	-	190,215	-	-	190,215
Support services	7,187	3,435	9,898	4,133	1,077	-	25,730	-	-	25,730
Depreciation and impairment	-	-	-	-	-	-	-	12,055	-	12,055
Pension costs	-	-	-	-	-	-	-	-	2,906	2,906
Other expenses	29,838	-	11,996	-	10,828	51,421	104,083	(58,920)	200	45,363
Total expenditure	37,025	28,118	109,731	81,828	11,905	51,421	320,028	(46,865)	3,106	276,269
Surplus/(Deficit) - cost of services	684	(19,007)	(1,355)	(55,300)	(3,485)	(14,224)	(92,687)	7,509	(3,106)	(88,284)

(b) Analysis of 2012 principal directorates

Group 2012	Mersey Tunnels	Bus services	Rail services	Prepaid and concessionary travel	Ferry and tourism services	Other Services	Total segments	Inter departmental charges, depreciation and pensions	Non distributed costs	Cost of services reported in CIES
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees charges and service income	38,369	10,104	18,227	23,520	7,691	37,316	135,227	(40,353)	1,000	95,874
Government grant income	-	-	92,275	-	-	-	92,275	-	-	92,275
Other grant income	-	-	-	-	700	-	700	-	-	700
Total income	38,369	10,104	110,502	23,520	8,391	37,316	228,202	(40,353)	1,000	188,849
Franchises and operators	-	24,134	90,935	75,780	-	-	190,849	-	-	190,849
Support services	7,680	3,569	7,463	3,556	1,318	-	23,586	-	-	23,586
Depreciation and impairment	-	-	-	-	-	-	-	9,162	-	9,162
Pension costs	-	-	-	-	-	-	-	-	2,899	2,899
Other expenses	28,226	-	11,891	-	9,515	53,587	103,219	(58,867)	1,366	45,718
Total expenditure	35,906	27,703	110,289	79,336	10,833	53,587	317,654	(49,705)	4,265	272,214
Surplus/(Deficit) - cost of services	2,463	(17,599)	213	(55,816)	(2,442)	(16,271)	(89,452)	9,352	(3,265)	(83,365)

6. Mersey Tunnels

The Mersey Tunnels Act 2004 permits any operating surplus to be utilised by the Authority to achieve public transport policies in its local transport plan. In 2012/13 £6.4m (2011/12 £2.5m) was transferred into the Authority's General Fund and a Tunnels Reserve and Renewals Fund balance of £7.3m remained as at 31 March 2013 (31 March 2012 - £7.3m).

Prior to the Tunnel operations becoming self-financing, the Tunnels deficit was funded by the Authority Levy. Over several years levy funding reached £28m. Following consultation, the Authority approved an annual contribution for 21 years of £3.6m from the surplus towards the levy.

7. Surplus (deficit) on the Provision of Services

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

	Group		Authority	
	2013 £000's	2012 £000's	2013 £000's	2012 £000's
Credits:				
Levy income	127,364	127,364	127,364	127,364
Grant income - Revenue:				
Rail services – Special Rail Grant	89,209	92,455	89,209	92,455
EU Revenue Grant	262	219	262	219
	89,471	92,674	89,471	92,674
Capital Grants and Contributions income				
Dept for Transport - LTP and Congestion Grant	6,483	6,702	6,483	6,702
Dept for Transport - Better Bus Grant	4,184	-	4,184	-
ERDF - Objective 1 grants	2,802	4,355	2,802	4,355
Dept for Transport - LSTF Grant	100	-	100	-
Partner Grant	37	9	37	9
Other grants	148	-	148	-
Capital Contributions	60	-	60	-
	13,814	11,066	13,814	11,066
Charges				
Depreciation of property, plant and equipment (including impairment)	11,055	9,162	3,526	2,994
Operating leases - minimum lease payments	12,193	12,088	-	-
Auditors' remuneration *	65	148	65	109
Pension costs	5,233	4,415	660	(1,435)
Publicity costs	7	17	-	4

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

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

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

8. Auditor's Remuneration

Audit fees for the audit of the Authority's accounts by the district auditor are estimated to be £65k, which includes grant certification work (2011/12: £109k)

	Authority	
	2013	2012
Audit fees in respect of:-	£000	£000
Fees payable for external audit services carried out by the appointed auditor	62	109
Grant certification work	3	-

9. Staff costs and average headcount

	Group		Authority	
	2013	2012	2013	2012
The number of persons employed by the Authority (expressed as whole time equivalents) at the year end was:	No.	No.	No.	No.
Operations	517	523	112	112
Catering/Retail	44	46	0	0
Management and Admin	297	304	5	5
Total	**858**	**873**	**117**	**117**
	£000's	**£000's**	**£000's**	**£000's**
The aggregate payroll cost for employees during the year was:-				
Salaries and Wages	22,313	23,649	4,039	4,608
National Insurance	1,774	1,788	329	399
Superannuation	2,420	2,403	454	521
	26,507	**27,840**	**4,822**	**5,528**

The number of Authority’s employees, other than the Directors listed below, receiving more than £50,000 remuneration for the year (excluding pension contributions) were as follows:

	Group		Authority	
	2013	2012	2013	2012
£50,000 to £54,999	9	12	1	5
£55,000 to £59,999	7	8	-	4
£60,000 to £64,999	4	3	-	-
£65,000 to £69,999	1	1	-	-
£70,000 to £74,999	2	1	-	-
£75,000 to £79,999	2	2	-	-
£80,000 to £84,999	1	-	-	-
£95,000 to £99,999	-	1	-	-
£105,000 to £109,999	1	-	-	-

Remuneration paid to the Authority’s senior employees is as follows:

Post Title	Year	Salary £	Allowances £	Pension Contributions £	Total Remuneration £
*Chief Executive/Director General	2013	77,367	61,132	12,696	151,195
	2012	135,311	35,003	17,972	188,286
Director of Resources	2013	-	-	-	0
	2012	103,156	12,709	14,483	130,348
*Director of Integrated Transport	2013	77,367	35,849	10,524	123,740
	2012	103,156	10,339	14,032	127,527
Director of Corporate Development	2013	99,185	9,100	13,536	121,821
	2012	94,813	9,100	12,989	116,902
**Director of Customer Services	2013	103,156	14,342	14,529	132,027
	2012	99,185	10,339	13,536	123,060

* Both post holders resigned their posts with effect from. 31 December 2012.

**The Director of Customer services acted as Deputy Chief Executive/Director General until 28 May 2013 and all salary is reflected in the Director of Customer Services line..

9 **Staff costs and average headcount** (continued)

The Director of Resources acted as Interim Chief Executive/Director General, whilst continuing to perform his Section 151 duties. All 2013 salary is included in the Chief Executive line. An officer from St Helens was seconded as a temporary Shared Services Finance Director on 19 September 2012. On the resignation of the previous post holder the Director of Resources post was advertised and filled through a competitive selection process. The post was formally filled on 1 April 2013.

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

MITA	Number of compulsory redunancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages in each band	
Exit package cost band	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£							£ooo	£ooo
0 - 20,000	0	0	0	0	0	0	0	0
20,001 - 40,000	0	0	0	2	0	0	0	0
40,001 - 60,000	0	0	0	0	0	0	0	0
60,001 - 80,000	0	0	0	0	0	0	0	0
80,001 - 100,000	0	0	0	0	0	0	0	0
100,001 - 150,000	0	0	0	0	0	0	0	0
Total	0	0	0	2	0	0	0	0

Group	Number of compulsory redunancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages in each band	
Exit package cost band	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£							£ooo	£ooo
0 - 20,000	0	0	2	51	2	2	17	19
20,001 - 40,000	0	0	5	4	5	2	153	57
40,001 - 60,000	0	0	0	2	0	1	0	45
60,001 - 80,000	0	0	0	0	0	0	0	0
80,001 - 100,000	0	0	0	0	0	0	0	0
100,001 - 150,000	0	0	1	0	1	0	115	0
Total	0	0	8	57	8	5	285	121

10. Members' allowances

Total expenses and allowances paid to Members were £187k (2011/12 - £249k). This includes travelling and subsistence costs. Full details of allowances paid, are reported on the Authority's website.

11. Rail Concession income and expenditure

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

Group Highways and Transport services income includes £5,457k (2011/12 £4,630k) representing income accrued under the agreement. Of this, £2,207k has been spent in the year (2011/12 £1,983k) to secure improvements to passenger services and is charged to Highways and Transport Services Expenditure.

The total balance remaining as at 31 March 2013 is £8.1m (31/03/12 £4.9m). This has been included in Group short term debtors and Group usable reserves at the balance sheet date. This amount will be transferred into a jointly controlled bank account within six months of Merseyrail Electrics year end ie 31 March 2013.

12. Finance Costs – Interest Payable

	Group		Authority	
	2013	2012	2013	2012
	£000's	£000's	£000's	£000's
On loans	14,740	15,660	14,732	15,627
Interest cost on pension scheme	12,861	13,689	2,425	2,891
Amortisation of premium on early repayment of loans	13	13	13	13
Other	-	-	-	17
	27,614	29,362	17,170	18,548

13. Finance Income

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

	Group		Authority	
	2013	2012	2013	2012
	£000's	£000's	£000's	£000's
From short-term loans and deposits	1,412	1,243	1,412	1,445
On pension scheme assets	11,193	12,669	2,162	2,834
Other interest receivable	401	612	401	407
	13,006	14,524	3,975	4,686

14. Tax on Income

Corporation tax chargeable against interest received and rental income in the year at a rate of 24% for 2012/13 and 26% for 2011/12.

Taxation of £8k (2011/12 £9k) in the consolidated income and expenditure statement represent taxation paid by the employer for certain employee benefits deemed by HMRC to be taxable.

15. Property, Plant and Equipment

Group	Freehold Property	Leasehold Property	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:								
At 1 April 2011	5,715	835	31,808	349,901	450	9,798	754	399,261
Additions	462	5,951	5,506	9,387	-	3,832	195	25,333
Transfers from Capital Projects	-	-		12,106	-	(12,106)	-	-
Disposals	-	-	(193)	-	-	-	-	(193)
Assets reclassified	(1,800)	-	-	631	(450)	(631)	(350)	(2,600)
At 31 March 2012	**4,377**	**6,786**	**37,121**	**372,025**	**-**	**893**	**599**	**421,801**
Additions	1,152	-	4,617	7,010	-	-	-	12,779
Revaluation	-	-	-	-	-	-	19	19
At 31 March 2013	**5,529**	**6,786**	**41,738**	**379,035**	**-**	**893**	**618**	**434,599**
Depreciation and impairment:								
At 1 April 2011	243	132	4,625	18,071	-	-	-	23,071
Depreciation	178	40	3,045	4,556	-	-	-	7,819
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	150	-	562	-	-	631	-	1,343
Disposals	-	-	(145)	-	-	-	-	(145)
At 31 March 2012	**571**	**172**	**8,087**	**22,627**	**-**	**631**	**-**	**32,088**
Depreciation	115	433	3,250	4,855	-	-	-	8,653
Reclassifications	-	-	-	631	-	(631)	-	-
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	1,773	604	-	-	25	2,402
At 31 March 2013	**686**	**605**	**13,110**	**28,717**	**-**	**-**	**25**	**43,143**
Net Book Value:								
At 1 April 2011	5,472	703	27,183	331,830	450	9,798	754	399,261
At 31 March 2012	3,806	6,614	29,034	349,398	-	262	599	389,713
At 31 March 2013	4,843	6,181	28,628	350,318	-	893	593	391,456

MITA	*Freehold Property*	*Leasehold Property*	*Vehicles, Plant, Furniture and Equipment*	*Operational Infrastructure*	*Community Assets*	*Assets Under Construction £000*	*Surplus Assets*	*Total*
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:								
At 1 April 2011	3,615	-	1,589	277,315	450	-	74	283,043
Additions	426	5,930	32	8,894	-	-	-	15,282
Assets reclassified to/from assets held for sale	-	-	-	-	(450)	-	-	(450)
At 31 March 2012	**4,041**	**5,930**	**1,621**	**286,209**	**-**	**-**	**74**	**297,875**
Additions	1,152	-	413	5,944				7,509
At 31 March 2013	**5,193**	**5,930**	**2,034**	**292,153**	**-**	**-**	**74**	**305,384**
Depreciation and impairment:								
At 1 April 2011	**140**	**-**	**280**	**14,239**	**-**	**-**	**-**	**14,659**
Depreciation	95	-	198	2,701	-	-	-	2,994
At 31 March 2012	**235**	**-**	**478**	**16,940**	**-**	**-**	**-**	**17,653**
Depreciation	115	394	159	2,809	-	-	-	3,477
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	49	-	-		-	49
At 31 March 2013	**350**	**394**	**686**	**19,749**	**-**	**-**	**-**	**21,179**
Net Book Value:								
At 1 April 2011	3,475	-	1,309	263,076	450	-	74	268,384
At 31 March 2012	3,806	5,930	1,143	269,269	-	-	74	280,222
At 31 March 2013	4,843	5,536	1,348	272,404	-	-	74	284,205

15 Property, Plant and Equipment (continued)

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

Valuation of property, plant and equipment

The Authority carries out regular revaluations of all Property, Plant and Equipment required to be measured at fair value every five years. These revaluations exclude infrastructure assets that are required to be carried at depreciated historical cost. Valuations of land and buildings were carried out by the independent valuers from the District 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 latest valuation was carried out as at 31 March 2009 by Christopher Smith MRICS, J Kent Tech RICS and JF Russell MRICS, all of whom are with the District Valuer Service

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

The cumulative revaluation surplus held in the Authority's revaluation reserve at 31 March 2013 is set out in note 30.

The cumulative revaluation surplus held in the Authority's revaluation reserve at 31 March 2013 was £362k and there was no upward movement during the year.

Infrastructure assets are held at depreciated historical cost. The next valuation exercise is scheduled to be undertaken in March 2014.

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

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

16. Heritage Assets

	Authority Statues £000's	**Subsidiaries Statues £000's**	**Group Statues £000's**
At 1 April 2011	-	-	-
Reclassification	450	361	**811**
Revaluations	-	24	**24**
At 31 March 2012	450	385	**835**
Additions	-	-	**-**
At 31 March 2013 and as at 31 March 2012	450	385	**835**

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

The Beatles Story also owns a statue in commemoration of John Lennon which is on display at the Liverpool Echo Arena entrance. The asset was re valued by a suitably qualified practitioner at 31 March 2012 and was found to have increased in value, and this increase has been taken to the Group Revaluation reserve. No further valuation has been undertaken during 2012/13.

17. Capital Expenditure and MRP Borrowing

Capital expenditure and MRP borrowing amounting to £16.4m and £0m respectively were financed as follows:

	2012/13			2011/12
Authority	Capital Outlay	MRP Borrowing	Total	Total
Expenditure	**£000**	**£000**	**£000**	**£000**
Property Plant & Equipment	7,509	-	7,509	9,352
Leasehold Improvements*	-	-	-	5,930
REFCUS - Capital Grants made to the MPTE for Infrastructure etc	8,900	-	8,900	11,066
Reborrowing Principal repaid in excess of MRP	-	554	554	1,919
	16,409	**554**	**16,963**	**28,267**
Financing				
(Under)/overcover financed brought forward at 1 April	-	(3,975)	(3,975)	(2,056)
Capital Grants and contributions	8,900	-	8,900	11,066
Capital Receipts Applied	9	-	9	1
Tunnels Repairs and Renewals Fund	7,500	-	7,500	9,351
Leasehold Incentive arrangement*	-	-	-	5,930
(Over)/under financed carried forward at 31 March	-	4,529	4,529	3,975
	16,409	**554**	**16,963**	**28,267**

Improvements to Mann Island Category B fit out were funded through Incentive Escrow account.

Revenue Expenditure Funded from Capital Under Statute (REFCUS) represents charges to the Comprehensive Income and Expenditure Statement for capital grants to MPTE which are used by it to fund its capital expenditure.

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

	Group		MITA	
	2013	2012	2013	2012
	£000	£000	£000	£000
Capital grants and contributions	13,814	11,066	13,814	11,066
Less: amounts not yet applied	(4,914)	-	(4,914)	-
	8,900	11,066	8,900	11,066
Other Capital receipts				
Disposal of assets	1,809	6	9	1
Less: amounts not yet applied	(1,800)	-	-	-
	9	6	9	1
Total	8,909	11,072	8,909	11,067

19. Intangible assets

The Authority Group has intangible assets as a result of goodwill arising on the purchase of Gemtex Ltd and The Beatles Story by its subsidiary company Mersey Ferries Ltd.

	Goodwill on Consolidation	Licenses	2012/13 Total	Goodwill on Consolidation	Licenses	2011/12 Total
	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation:						
Opening balance:						
Gross carrying amount	2,803	20	2,823	2,803	20	2,823
Accumulated amotisation	(1,108)	(17)	(1,125)	(1,108)	(13)	(1,121)
Opening net carrying amount	1,695	3	1,698	1,695	7	1,702
Amortisation and impairment:						
Amortisation	-	(3)	(3)	-	(4)	(4)
Net carrying amount at end of year	**1,695**	**-**	**1,695**	**1,695**	**3**	**1,698**
			-			-
Comprising:						
Gross carrying amount	2,803	20	2,823	2,803	20	2,823
Accumulated amotisation	(1,108)	(20)	(1,128)	(1,108)	(17)	(1,125)
	1,695	**-**	**1,695**	**1,695**	**3**	**1,698**

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

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

The Authority has performed its annual impairment test as at 31 March 2013. The recoverable amount of The Beatles Story is determined on a value in use basis using cash flow projections based on financial budgets approved by the board for the next 5 years. The discount rate applied to the cash flows is 6.0% as per Treasury Green Book recommendation (2012: 6%). The growth rate used to extrapolate the cash flows beyond the 2015/16 year period is 3% (2011/12 3%), which is consistent with expected growth rates over previous years in this business area. Some sensitivity analysis was then applied to these assumptions resulting in little change to the original values. The resultant calculation showed the value of implied goodwill was consistent with that shown in the group balance sheet and no impairment was required for 2012/13.

20. Investments

Name	Immediate parent	Group holding	Nature of the business	% equity interest 2013	% equity interest 2012
Mersey Ferries Ltd	Merseyside Passenger Transport Executive	Company limited by guarantee	Passenger Transport	N/A*	N/A*
Merseyside Passenger Transport Service Ltd	Merseyside Passenger Transport Executive	25 £1 Ord. Shares 375 £1 5% Non Cumulative Pref shares	Leasing	100	100
Real Time Information Group Limited	Merseyside Passenger Transport Executive	1 £1 Ord Shares	Real Time Information systems	100	100
Global Smart Media Ltd	Merseyside Passenger Transport Executive	17,648 - 10p Ord Shares	Smartcard	87.9	87.9
Accrington Technologies Ltd	Merseyside Passenger Transport Executive	500 £1 Ord Shares	Smartcard	50.1	50.1
Spaceport Ltd	Mersey Ferries Ltd	1 £1 Ord Shares	Tourism	100	100
U534 Ltd	Mersey Ferries Ltd	1 £1 Ord Shares	Tourism	100	100
The Beatles Story Ltd	Mersey Ferries Ltd	290,000 £1 Ord Shares	Tourism	100	100
Livesmart Ltd	Global Smart Media Ltd	196 £1 Ord Shares 2,020,728 £1 Pref Shares	Smartcard	100	100
Global Smart Media (IPR) Ltd	Livesmart	100 £1 OS	Smartcard	100	100

All companies are incorporated in the United Kingdom.

Livesmart ceased trading in January 2013. All remaining employees were made redundant and the PTE took control of the bank accounts and remaining creditors. The cost of supporting Livesmart during 2012/13 until the close of business amounting to £68k was charged to the CIES.

Dormant companies

Merseytravel Ltd, Merseytravel Facilities Management Ltd, and Liverpool South Parkway Ltd are wholly owned subsidiaries that were all dormant in the year ended 31 March 2013.

Merseyside Rapid Transit Ltd and Merseytram 2005 Ltd were dissolved during the year ended 31 March 2012. Merseytravel Commercial Services Ltd was dissolved in the year ended 31 March 2013.

Group:

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

Group	2013 £000s	2012 £000s	2011 £000s
Equity investment held at cost	0	1294	1295

21. Short Term Investments

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

22. Assets held for sale

	Group		Authority	
	2013	2012	2013	2012
	£000's	£000's	£000's	£000's
Balance outstanding at the start of the year	1,800	-	-	-
Assets newly classified as held for sale:				
Former MPTE Headquarters building	-	1,800	-	-
Assets sold	(1,800)	-	-	-
Balance outstanding at the year end	**-**	**1,800**	**-**	**-**

The Executive's former headquarters building at 24 Hatton Garden was reclassified as an asset held for sale in the year ended 31 March 2012. The sale of the building during 2012/13 generated a receipt of £1,800k, which was reduced by commission/insurance charges to £1,779k.

Profit on disposal of property, plant and equipment

The reported gain or loss on disposal is calculated as the net sales proceeds less the net carrying value of the assets comprising both the carrying value of the assets sold and any unamortised grant outstanding. For 31 March 2013, this was £21k loss relating to the sale of Hatton Garden.

23. Inventories

Reconciliation	Group		Authority	
	2013	2012	2013	2012
	£000	£000	£000	£000
Balance outstanding at the start of the year	972	1,005	408	-
Purchases Recognised as an expense in the year Written off in the year	100	(33)	207	408
Balance outstanding at the year end	1,072	972	615	408

Analysis	Group		Authority	
	2013	2012	2013	2012
	£000	£000	£000	£000
General stores and consumables	453	484	409	386
Retail stock	404	458	-	-
Fast Tags	191	8	191	8
Fuel	15	14	15	14
Uniforms	9	8		-
Total	1,072	972	615	408

24. Short and long term debtors

a) Amounts falling due within one year:

	Group		Authority	
	2013	2012	2013	2012
	£000	£000	£000	£000
Central Govt bodies *	7,134	6,545	4,793	4,684
Other Local Authorities	301	341	-	1
NHS bodies	83	30	-	-
Other bodies	17,180	13,308	4,701	4,591
Public Corporations and trading funds	-	148	-	-
Total current trade and other receivables	**24,698**	**20,372**	**9,494**	**9,276**

* Under a group registration scheme, VAT recoverable by the Executive of £2,070k (2011/12 £1,541k) has been consolidated and is included in Central Govt. bodies for the Group.

Trade receivables are non-interest bearing and are generally on terms of 30 days or less. They are shown net of a provision for impairment. For terms and conditions pertaining to related parties, refer to note 33. At 31 March 2013, Group trade receivables had a nominal value of £1,897k (2012: £1,559k). Movements in the provision for impairment of receivables were as follows:

Bad debt provision	Group		Authority	
	2013	2012	2013	2012
	£000	£000	£000	£000
Opening provision	94	127	1	2
Charge for the year	10	22	2	3
Amounts written off	(52)	(44)	(2)	(4)
Unused amounts reversed	-	(11)	-	-
Closing provision	**52**	**94**	**1**	**1**

As at 31 March 2013, the aged analysis of trade receivables was as follows:

			Overdue but not impaired			
		Neither overdue nor impaired	29-50 days	51-90 days	91-185 days	>186 days
	Total £000	£000	£000	£000	£000	£000
Group						
31-Mar-13	1,845	1193	155	259	80	158
31-Mar-12	1,465	930	146	338	27	24
MITA						
31-Mar-13	15	9	-	-	5	1
31-Mar-12	7	4	1	1	1	-

b) Amounts falling due after more than one year:

	Group		Authority	
	2013	2012	2013	2012
	£000	£000	£000	£000
Other receivables	818	837	3,785	3,908

The Authority has a long term loan to the Executive which was used to fund the purchase of the

Beatles Story. It is repayable in annual instalments and will expire in 2032/33. Principal repayments in 2012/13 were £117k (2011/12 £111k). It is extinguished upon consolidation. The other receivables are assessed as recoverable and no impairment is required.

25. Cash and cash equivalents

	Group		Authority	
	2013	2012	2013	2012
	£000	£000	£000	£000
Cash and bank current account	27,916	32,259	805	8,406
Short term deposits with banks and building societies	30,325	25,108	30,325	25,108
Total	**58,241**	**57,367**	**31,130**	**33,514**

The Authority holds the Executive's cash balances of £43,500k (2011/12 £26,200k) for investment purposes. The Executive deposits its surplus cash funds with the Authority for periods between one day and three months depending on the immediate cash requirements of the respective entities.

26. Short Term Creditors

	Group		Authority	
	2013	2012	2013	2012
	£000	£000	£000	£000
Creditors due within 1 year:				
Central Government Bodies	34,197	15,191	30,625	13,321
Other Local Authorities	2,016	700	163	20
NHS Bodies	60	91	-	-
Public Corporations	-	170	-	54
Other Entities and Individuals	25,812	22,827	36,615	33,533
	62,085	**38,979**	**67,403**	**46,928**

£29,400k (2012 £26,200k) held by the Authority and invested on behalf of the MPTE is included in "Other Entities and Individuals" for the Authority.

PWLB debt charges of £10.3m (2012 £8.3m) and Local Sustainable Transport Grant funding for Minor and Major elements of £20.2m (2011/12 £4.8m) received in advance is included in Central Government Bodies.

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

	Authority	
	2012/13	2011/12
Total number of invoices paid	18,154	17,880
Invoices paid within 30 days	17,453	17,253
Actual proportion paid within 30 days	**96.1%**	**96.5%**
Target	100%	100%

27. Provisions

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

Provisions	Group 2013 £000	Group 2012 £000	Authority 2013 £000	Authority 2012 £000
Short term	467	354	228	225
Long term	3,313	3,952	605	641
	3,780	**4,306**	**833**	**866**

Group	Total £000	Govt Initiatives £000	Contractual Obligations £000	Employment Related £000	Capital Expenditure £000	Contracted Maintenance £000	Taxation/ Leases £000
At 1 April 2012	4,306	200	960	2,123	299	687	37
Arising during the year	894	-	191	452	-	251	-
Utilised during the year	(1,420)	-	(122)	(1,266)	-	-	(32)
At 31 March 2013	**3,780**	**200**	**1,029**	**1,309**	**299**	**938**	**5**

MITA	Total £000	Govt Initiatives £000	Contractual Obligations £000	Employment Related £000	Capital Expenditure £000	Contracted Maintenance £000	Taxation/ Leases £000
At 1 April 2012	866	200	62	305	299	-	-
Arising during the year	135	-	86	49	-	-	-
Utilised during the year	(168)	-	(62)	(106)	-	-	-
At 31 March 2013	**833**	**200**	**86**	**248**	**299**	**-**	**-**

Significant provisions for both ITA and Group relate to:

- Government initiatives relates to the purchase of “carbon credits” within the next 12 month;
- Contractual obligations relate to the Merseytram project and insurance claims;
- Employment related, are principally annual leave entitlements outstanding at the year end, pension obligations and job evaluation/harmonisation provisions;
- Capital expenditure relates to possible claw back of ERDF grant;
- Contracted maintenance relates to works previously thought to be rechargeable to a third party;.
- Taxation issues relate to a tax liability with The Beatles Story, payable within 12 months.

New Group provisions established in the year have been raised as follows:

- Provision for future dredging costs at the Pier Head landing stage
- The Beatles Story provisions against possible insurance claims and other events

During the year the employee related provision was utilised as part of the back pay for the recently agreed harmonisation of pay and conditions for ITA staff.

28. Contingent Assets and Liabilities

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

29. Financial Instruments

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

MITA	**Carrying Amount**		**Fair Value**	
Loans & Receivables	**2013 £000**	**2012 £000**	**2013 £000**	**2012 £000**
Financial Assets:				
Long term loans and receivables	3,785	3,908	3,785	3,908
Current loans and receivables	122	117	122	117
Current financial assets carried at contract amounts	9,156	4,702	9,156	4,702
Long-term debtor		-	-	-
Short term investments	90,225	47,237	90,225	47,237
Cash & cash equivalents	31,130	33,514	31,130	33,514
Financial Liabilities:				
Current trade payables	33,981	16,926	33,981	16,926
Amounts deposited from MPTE	29,400	26,200	29,400	26,200
Interest bearing loans and borrowings measured at amortised cost:				
Fixed rate borrowings - due within one year	11,379	11,282	11,379	11,282
Fixed rate borrowings - due after one year	235,398	246,777	336,262	341,624

Group	**Carrying Amount**		**Fair Value**	
Financial Assets:	**2013 £000**	**2012 £000**	**2013 £000**	**2012 £000**
Equity investments held at cost	1,294	1,294	1,294	1,294
Loans & Receivables				
Current loans and receivables	34	40	34	40
Current financial assets carried at contract amounts	22,693	12,617	22,693	12,617
Long-term debtor	818	837	818	837
Short term investments	90,225	47,237	90,225	47,237
Cash & cash equivalents	58,241	57,367	58,241	57,367
Financial Liabilities:				
Current trade payables	57,777	28,740	57,777	28,740
Interest bearing loans and borrowings measured at amortised cost:				
Fixed rate borrowings - due within one year	11,379	11,282	11,379	11,282
Fixed rate borrowings - due after one year	235,398	246,777	336,262	341,624

Analysis of borrowing repayable

Authority	**Range of Interest Rates Payable**	**Total Outstanding at 31 March**	
		2013	**2012**
Source of Loan		**£000**	**£000**
Public Works Loan Board	Variable Rates		-
Public Works Loan Board	4.30% to 11.75%	215,969	224,333
Department of Transport	9.10%	1,058	1,687
Wirral MBC	7.70%	29,750	32,039
		246,777	258,059
An analysis of loans by maturity is:			
Maturing in -			
- within one year		11,379	11,282
- 1 to 2 years		11,099	11,748
- 2 to 5 years		32,421	32,324
- 5 to 10 years		52,258	53,523
- More than 10 years		139,620	149,182
		246,777	258,059

29 Financial Instruments

Fair Values of Assets and Liabilities

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

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

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

The discount rates used for the evaluation were obtained by MITA from the Public Works Loan Board and the fair value of borrowing through the PWLB has been calculated by reference to the premature repayment set of rates in force on 31 March 2012 and 31 March 2013 respectively. For both years, the respective interest rates have been used as a discounting factor applied to future cash flows of the undischarged balance of the loans at 31 March 2012 and 2013. A similar calculation has been done for the fair value of the Department for Transport Loans and Wirral MBC loans using the national loans rates at 31 March 2011 and 2012 as discount factors.

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

- Interest is calculated using a 365 day basis
- Interest is paid on the maturity date
- No adjustment has been made to the interest value and date, where a relevant date occurs on a non-working day
- Estimated ranges of interest rates at 31 March 2013 of 4.30% to 11.75%
- No early repayment or impairment is recognised
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

No loans were taken out during 2012/13 and no loans are secured against the Authority's assets. The fair values of the following classes of financial instruments approximate their carrying amounts due to the short term maturities of these instruments:

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

29 Financial Instruments

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

Group & Authority	2013 £000 Financial Liabilities measured at amortised cost		2013 £000 Financial Assets: Loans and Receivables		2012 £000 Financial Liabilities measured at amortised cost		2012 £000 Financial Assets: Loans and Receivables	
	Authority	Group	Authority	Group	Authority	Group	Authority	Group
Interest expense	(14,745)	(14,745)	-		(15,644)	(15,849)	-	-
Impairment losses (bad debts)	-		(1)	(51)	-	-	(1)	(94)
Total expense in Surplus of Deficit on the Provision of Services	(14,745)	(14,745)	(1)	(51)	(15,644)	(15,849)	(1)	(94)
Interest Income			1,813	1,813	-	-	1,852	2,056
Total income in Surplus or Deficit on the Provision of Services	-	-	1,813	1,813	-	-	1,852	2,056
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	(712)	-	-
Surplus or deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-	-	-	(712)	-	-
Net gain/(loss) for the year	(14,745)	(14,745)	1,812	1,762	(15,644)	(16,561)	1,851	1,962

Risk Factors

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

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

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

Credit risk

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

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

	Amount at 31 March 2013	Historical Experience of default %	Historical experience adjusted for market conditions at 31 March 2013	Estimated maximum exposure to default and uncollectability as at 31 March 2013	Estimated maximum exposure to default and uncollectability as at 31 March 2012
Group					
Trade receivables	1,897	2	1,845	1,845	-
External loans receivable	148	-	148	148	168
Group loans receivable	-	-	-		-
				1,993	**168**
Authority					
Trade receivables	16	6	15	15	7
External loans receivable	-	-	-	-	-
Group loans receivable	3,785	-	3,785	3,785	-
				3,800	**7**

29 **Financial Instruments**

Liquidity risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments. There is a future risk that the Authority will be bound to replenish a proportion of its borrowings at a time of unfavourable interest rates, however this risk is several decades in the future and will be significantly covered by Minimum Revenue Provision (MRP) balances. Note 35 gives details of the maturity of debt.

Market risk

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

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

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

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

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

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

Hedging Instruments

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

30. Reserves

(a) **Usable Reserves**

	Group	**Authority**
	2013	**2012**
	£000s	£000s
General Fund	2,704	1,142
Tunnels Reserve	7,257	7,257
Earmarked reserves - Operational	67,837	19,937
Earmarked reserves - Development	28,763	13,781
Useable Capital Receipts	2,093	-
Total Usable Reserves	108,654	42,117

Operational reserves are service related and have been created to support revenue spending. Development reserves are primarily “capital” related ones and exist to support the ITA’s capital programme. These latter reserves are under severe pressure due to the Government’s decision to cut the ITA’s LTP grant during 2010/11 and for future years under LTP3.

It is the Authority’s policy that the Tunnels Reserve and Renewals Fund shall not be less than £2.5m. In the event that funds falls below the £2.5m threshold, budgetary provision in the following year will be made to restore the level to £2.5m. Budgets for 2012/13 assumed £0.5m would be transferred from the fund to part finance the Tunnels capital programme. Slippage in the capital programme meant that the funding was not required and the funds balance remained at £7.3m at 31 March 2013.

30 Reserves

(b) Unusable Reserves

	Group 2013 £000s	Authority 2012 £000s
Pension Reserve	(83,968)	(12,242)
Revaluation Reserve	4,243	395
Capital Adjustment Account	31,931	16,793
Financial Instruments adj account	36	49
Deferred Capital Grants	102,260	-
Total Unusable Reserves	54,502	4,995

(c) Pensions Reserve

The Pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post -employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post -employment benefits in the Comprehensive Income and Expenditure statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Group 2013 £000	Authority 2012 £000
Balance at 1 April	(70,315)	(10,231)
Actuarial gains or losses on pensions assets and liabilities	(14,647)	(4,383)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(5,233)	1,435
Employers Pension Contributions and direct payments to pensioners in the year	6,227	937
Balance at 31 March	**(83,968)**	**(12,242)**

30 Reserves

(d) Revaluation Reserve

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

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

	Group 2013 £000	Authority 2012 £000
Balance at 1 April	5,779	511
Upward revaluation of assets	-	-
Downward revaluation and impairment losses not charged to the surplus/deficit on the provision of services	(1,503)	-
Difference between fair value depreciation and historical cost depreciation	(33)	(116)
Balance at 31 March	**4,243**	**395**

(e) Capital Adjustment Account

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

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

	Group 2013 £000	Authority 2012 £000
Balance at 1 April	16,793	(725)
Reversal of items relating to capital expenditure debited or credited to the Income and Expenditure Statement:	(3,123)	(2,994)
Revenue funded from capital under statute	(8,900)	(11,066)
Amounts written out to the Revaluation Reserve	33	116
Net written out amount of the cost of non-current assets consumed in the year	4,803	(14,669)
Capital financing applied in the year:		
Capital grants and contributions credited to the Income and Expenditure Statement that have been applied to capital financing	8,900	11,066
Statutory provision for the financing of capital investment charges against the General Fund	10,728	11,044
Capital expenditure charged against the General Fund	7,500	9,352
Balance at 31 March	31,931	16,793

30 Reserves

(f) **Financial Instruments Adjustment Account**

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

	Group	Authority
	2013	**2012**
	£000	**£000**
Balance at 1 April	49	62
Proportion of premiums incurred in previous financial years to be charged against the General Fund in accordance with statutory requirements	(13)	(13)
Balance at 31 March	36	49

(g) **Deferred Capital Grants**

	Deferred Capital Grants £000's
Balance at 1 April 2012	102,887
Revaluation reserve depreciation charge	442
Grants received MITA	-
Grants received European Union	
Grants Applied:	
Property plant and equipment	5,230
Deferred charges	-
Re EU schemes	
Transfer from Capital reserves	-
Use of capital receipts	
Released to Revenue:-	
Disposal of PPE	(1,800)
Revaluation reserve adjustment	1,061
Depreciation/Impairment charge	(5,560)
Balance at 31 March 2013	102,260

31. Pension Costs

As part of the terms and conditions of employment of its officers and other employees, the Executive offers retirement benefits. The Merseyside Pension Fund administers, on the Executive's behalf, a Local Government Superannuation Scheme that provides for the cost of meeting the future pension liabilities of the Executive's workforce. This is a funded defined benefit final salary scheme, meaning that the Executive and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets. The contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, the last of which was carried out as at 31 March 2010. Under Pension Fund regulations contribution rates are set to meet the estimated overall liabilities of the Fund.

The Authority paid an employer's contribution of £684k (2012 - £937k) to the Pension Fund, representing 13% (2012 – 15%) of pensionable pay. The contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, the next review being effective from 1 April 2014. Under Pension Fund regulations contribution rates are set to meet the overall liabilities of the Fund.

Transactions relating to retirement benefits

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

(i) Income and expenditure statement

	Group		Authority	
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Income and Expenditure Statement:				
Net cost of services:				
Current service cost	3,565	3,305	397	740
Past service cost/(gain)	-	-	-	-
Settlements and Curtailments **	-	90	-	(2,232)
Financing and Investment Income and Expenditure:				
Interest cost	12,861	13,689	2,425	2,891
Expected return on scheme assets	(11,193)	(12,669)	(2,162)	(2,834)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	5,233	4,415	660	(1,435)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Actuarial (gains) and losses	14,647	16,023	3,106	4,383
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	14,647	16,023	3,106	4,383
Movement in Reserves Statement:				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(13,653)	(12,402)	(3,082)	(2,011)
Total Post Employment Benefits Charged in the year to the Movement in Reserves Statement	(13,653)	(12,402)	(3,082)	(2,011)
Summary of amounts charged to Reserves and Income and Expenditure Statement:				
Employer’s contributions payable to the scheme	6,227	5,933	684	937
Retirement benefits payable to pensioners	13,248	13,613	2,660	2,472

** Effects of transfer of staff to the Executive for pension purposes.

31 Pension Costs

IAS 19 – Employee Benefits has been revised but not yet adopted. The impact of revisions to IAS 19 – Employee benefits applicable to future periods would be that the charge to income and expenditure for current service costs would be £407k, the interest cost would be £583k, administrative expenses of £9k would be presented separately and re-measurements of assets and liabilities amounting to £2,767k would be charged to Other Comprehensive income instead of Actuarial gains and losses.

(ii) General Fund Balance

	Group		Authority	
	2013	**2012**	**2013**	**2012**
	£000s	**£000s**	**£000s**	**£000s**
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions	6,227	5,933	684	937

In addition to the recognised gains and losses in the Income and Expenditure Statement, actuarial losses of £3.1m (Group £14.6m) were included in the Movement in Reserves Statement for 2012/13. (2011/12 Losses £4.4m Authority and £16.0m for the Group)

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

	Group		Authority	
	2013	**2012**	**2013**	**2012**
	£000s	**£000s**	**£000s**	**£000s**
Benefit obligations at 1 April	266,663	252,893	50,536	64,891
Current service cost	3,565	3,305	397	740
Interest on pension liabilities	12,861	13,689	2,425	2,891
Member contributions	1,326	1,341	148	306
Actuarial (gains)/losses	28,808	7,996	5,841	2,219
Curtailments	-	90	-	-
Settlements	-	(18,039)	-	(18,039)
Benefits/transfers paid	(13,248)	(12,651)	(2,660)	(2,472)
Business combinations	-	18,039	-	-
Benefit obligations at 31 March	299,975	266,663	56,687	50,536

(iv) Reconciliation of the fair value of the scheme's assets

	Group		Authority	
	2013	**2012**	**2013**	**2012**
	£000s	**£000s**	**£000s**	**£000s**
Fair value of plan assets at 1 April	196,348	197,083	38,294	54,660
Expected return on plan assets	11,193	12,669	2,162	2,834
Actuarial gains/(losses)	14,161	(8,027)	2,735	(2,164)
Business combinations	-	15,807	-	-
Settlements	-	(15,807)	-	(15,807)
Employer contributions	6,227	5,933	684	937
Member contributions	1,326	1,341	148	306
Benefits/transfers paid	(13,248)	(12,651)	(2,660)	(2,472)
Fair value of plan assets at 31 March	216,007	196,348	41,363	38,294

31 Pension Costs

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

The actual return on scheme assets for the Authority in the year was £4.9m (2011/12 £4.2m), for the Group £25.3m (2011/12 £15.8m).

The impact of revisions to IAS 19 – Employee benefits applicable to future periods:
Liabilities: current service costs would be £407k and interest on pension scheme liabilities would be £2,415k. Actuarial (gains)/losses would be described as re-measurements. There is no impact of the fair value of the plan liabilities.

Assets: "Interest on plan assets" of £1,832k would be included instead of "Expected return on plan assets". Actuarial gains/(losses) would be described as re-measurements and would amount to £3,074k. Administration expenses of £9k would be shown separately. There is no impact of the fair value of the plan assets.

(v) Scheme history

	Authority				
	2008/09	**2009/10**	**2010/11**	**2011/12**	**2012/13**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Present value of scheme liabilities	(52,087)	(70,570)	(64,891)	(50,536)	(56,687)
Fair value of scheme assets	40,216	52,930	54,660	38,294	41,363
Surplus/deficit in the scheme	(11,871)	(17,640)	(10,231)	(12,242)	(15,324)

	Group				
	2008/09	**2009/10**	**2010/11**	**2011/12**	**2012/13**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Present value of scheme liabilities	(251,553)	(213,244)	(276,191)	(266,663)	(299,975)
Fair value of scheme assets	193,804	154,435	200,402	196,348	216,007
Surplus/deficit in the scheme	(57,749)	(58,809)	(75,789)	(70,315)	(83,968)

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

(vi) Pension contributions for 2013/14

The total contributions expected to be made to the Scheme by the Authority in the year to 31 March 2014:

	£'000
Fixed Contribution	368
12.5% of Pensionable Pay (£2.2m)	272
Unfunded Pension Liabilities	33

	673
	=====

31 Pension Costs

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis by Mercer Ltd, an independent firm of actuaries, using the projected unit method, which is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. It is based on the latest full valuation of the scheme as at 31 March 2010. The principal assumptions used by the actuary were:-

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

	Group and Authority			
	2012/13		2011/12	
	Expected Rate of Return on Assets %	Split of Assets between Investment Categories %	Expected Rate of Return on Assets %	Split of Assets between Investment Categories %
Equity investments	7.0	60.6	7.0	59.1
Government bonds	2.8	15.7	3.1	15.7
Other bonds	3.9	3.6	4.1	4.0
Property	5.7	8.3	6.0	9.3
Cash/liquidity	0.5	2.3	0.5	2.2
Other	6.8	9.5	*	9.7
	5.7	100.0		100

(ii) Other assumptions

	Group		Authority	
	2012/13	2011/12	2012/13	2011/12
Mortality assumptions:				
Longevity at 65 for current pensioners				
Men (years)	21.8	21.5	21.8	21.5
Women (years)	24.7	24.2	24.7	24.2
Longevity at 65 for future pensioners				
Men (years)	23.7	22.8	23.7	22.8
Women (years)	26.6	25.8	26.6	25.8
Rate of Inflation (CPI)	2.40%	2.50%	2.40%	2.50%
Rate of increase in salaries	3.90%	4.00%	3.90%	4.00%
Rate of increase in pensions	2.40%	2.50%	2.40%	2.50%
Rate for discounting scheme/liabilities	4.20%	4.90%	4.20%	4.90%
Take-up of option to convert annual pension	50%-max 50% 3/80	50% - max 50% - 3/80	50% - max 50% - 3/80	50% - max 50% - 3/80

31 Pension Costs

History of gains and losses

Group	2008/09		2009/10		2010/11		2011/12		2012/13	
	£000	%	£000	%	£000	%	£000	%	£000	%
Analysis of Actuarial gains/losses over 5 years:										
Differences betw een the expected and actual return on assets	46,780	(30)	(41,406)	(21)	8,448	4	8,027	4	(14,161)	(7)
Changes in demographic and financial assumptions used to estimate scheme liabilities	(46,012)	(22)	56,944	(21)	(14,910)	(6)	7,996	3	28,808	10
Total	768		15,538		(6,462)		16,023		14,647	
Discount Rate		7%		6%		7%		6%		

Authority	2008/09		2009/10		2010/11		2011/12		2012/13	
	£000	%	£000	%	£000	%	£000	%	£000	%
Analysis of Actuarial gains/losses over 5 years										
Differences betw een the expected and actual return on assets	12,071	(30)	(10,869)	(21)	578	1	2,164	-6	2,735	7
Changes in demographic and financial assumptions used to estimate scheme liabilities	(12,491)	(24)	15,802	(22)	(4,889)	(8)	2,219	4	(5,841)	10
Total	(420)		4,933		(4,311)		4,383		(3,106)	
Discount Rate		7%		7%		7%		9%		6%

Pensions – Cumulative Actuarial gains/losses

Cumulative actuarial losses at 31 March 2013 written off to the CIES were £18,055k (Group £81,581k), and at 31 March 2012 were £14,959k (Group £63,526k).

The actuary carried out average age of the membership investigations as part of the 2010 actuarial valuation. Assumptions made in these figures are derived from the 2010 valuation exercise.

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

32. Prudential Borrowing

The Authority is required under the Local Government Act 2003 and the Prudential Code for Capital Finance in Local Authorities, (developed by CIPFA) to monitor its performance against a framework of indicators. These indicators set limits of performance, affordability, prudence and sustainability and are comparable to the estimated indicators approved by the Authority at its meeting on 7 February 2013:-

Group Position	2011/12 Actual	2012/13 Revised Estimate	2012/13 Actual
	£m	£m	£m
Capital Expenditure			
Transport - Other	19.1	19.9	13.1
Tunnels	9.4	9.5	7.6
Programme Slippage	-	-4.0	-
	28.5	25.4	20.7
Ratio of Financing Costs to net Revenue Stream	20.6%	18.8%	18.9%
Capital Financing Requirement (Including Transferred Debts)	254.8	256.2	247.2

33. Related party disclosures

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

(a) Directors and Authority members

Merseytravel directors have a dual role as chief officers of both the Executive and Authority and in some instances are also directors of the Executive's subsidiary companies. All directors' emoluments and member allowances are met in full by the Authority.

All members have at least two roles under the Local Government Act 1985 in that they represent both the District Councils and the Integrated Transport Authority. Several members also represent certain other bodies including the Local Government Association, ITA Special Interest Group, Mersey Dee Alliance, North West LA's Employers Organisation, North West Rail Forum, West Coast Rail Campaign, North of England Regional Consortium (including North West Regional Association, North West Partnership & North West Regional Chamber), Merseyside Strategic Transportation & Planning Committee, Travel Safe Board, Local Enterprise Partnership, City Region Board and Mersey Ferries Ltd. It is deemed that there is no conflict of interest.

Transactions with the above external bodies may include grants or contributions with specific conditions and requirements imposed upon the Authority. The majority of these will follow statutory or other Government guidance. Members set the levy in consultation with District Councils. The Levy funds the balance of service costs not covered by income or grant and for 2012/13 £127,364k (2011/12 £127,364k) was paid by the District Councils. Members also set the Tolls for Mersey Tunnels after consultation.

Details of directors emoluments are set out in note 9 and details of members allowances are set out in note 10.

(b) Directors to the Executive's Subsidiary Companies

Note 20 lists the Authority's subsidiary companies. Some of the Authority's directors are also directors to the companies, with remuneration payable by the Authority. The Objectives of the subsidiary companies are compatible with those of the Authority. Four members of the Authority acted as directors of Mersey Ferries Limited during different periods during 2012/13. These directors received £10k between them as remuneration from the Subsidiary Company.

(c) Subsidiary Companies

The Authority controls its subsidiaries, as set out in note 20. As the Authority operates one bank account, an inter-company debt exists between the Authority and the Executive of £26,810k (2011/12 £23,314k). In addition the following were the transactions during the year and balances at the year end with the Executive:

	Transactions during year		Balances at 31 March	
	Income from	Expenditure with	Receivable from	Payable to
	£000	£000	£000	£000
MPTE (grant-related) 2013	-	198,972		
MPTE (grant-related) 2012	-	205,455		
MPTE (short term deposits) 2013			-	29,400
MPTE (short term deposits) 2012			-	26,200

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

33 Related party disclosures

(d) European Union

Participation in fuel and energy saving projects, and part funding for infrastructure projects generate various grants for the Authority's subsidiary the Executive. There are minor controlling influences upon the Executive in that certain procedural requirements have to be met to ensure benefits can be claimed and received.

(e) Merseyside Pension Fund

The Merseyside Pension Fund, which is administered by Wirral Council, is considered a related party. Full details of transactions with the Pension fund are set out in note 31. At 31 March 2013, there was £68k payable to the pension fund via Wirral Council (2012 - £69k).

(f) UK government

In 2012/13 the Authority received:

- Strategic Rail Grant of £89,209k (2011/12 £92,455k)
- Local Transport Plan (LTP) Grant funding of £6.5m (2011/12 £6.7m)
- Better Bus Grant of £4.2m, of which £0.1m was utilised during the year

The Authority was appointed as the Accountable Body for the Merseyside Local Sustainable Transport Funding (LSTF) and received £19.9m on behalf of the LSTF partnership. In 2012/13 £2.5m was disbursed to partners (with the Authority receiving £0.3m of that amount). The unspent balance of funding (£17.4m) is included as a creditor within the balance sheet.

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

34. Commitments

Capital Commitments

As at 31 March 2013 the Authority was contractually committed to further capital works which amounted to approximately £2.8m (2011/12 £4.7m). Major contracts included the following schemes:-

	Group 2013 £000 Budget	Authority 2013 £000 Budget	Group 2013 £000 Committed	Authority 2013 £000 Committed
Mersey Tunnels	7,134	7,134	2,768	2,768
Smartcard	984	-	984	-
Better bus	3,867	-	-	-
ICT Programme	1,108	-	1,108	-
Wirral P&R	3,526	-	3,526	-
Ferries Improvements	1,112	-	1,112	-
Transport Planning	1,772	-	244	-
Other Schemes	3,977	-	3,227	-
Total Capital Commitments	23,480	7,134	12,969	2,768

34 Commitments

Authority Lease commitments

The Authority entered into a 30 year non-cancellable operating lease for its new headquarters building at Mann Island. The Authority received an incentive from the developer of £9m which equates to a 3 year rent free period, and which was used to finance the cost of bringing the building to a Category B fit out and also to finance the purchase of ICT and furniture. The incentive is being amortised over the life of the lease with the deferred credit at 31 March 2013 of £9,451k (2012 - £9,808k) shown in the balance sheet as Other Long Term Liabilities, £9101k and £350k included within current liabilities.

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

The Authority has no assets held under finance leases.

Group Lease Commitments

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

	Group		Authority	
	2013	2012	2013	2012
	£000	£000	£000	£000
Operating leases which will expire:				
Within 1 year	14,973	14,560	2,781	2,472
Within 2 to 5 years	23,289	34,795	11,124	11,013
Over 5 years	66,744	75,385	66,744	75,385

The Authority will receive sublease income in respect of the above properties of £219k per annum (£3,285k in total) under non-cancellable property subleases.

The Authority through its Grant to the PTE also funds the Executive’s subsidiary company MPTS, which has two operating leases, one for the rental of Beetham Court for office accommodation and another for the operating rental of the Merseyrail Rolling Stock. The latter has a back to back lease with Merseyrail Electrics who fully reimburse the cost of this lease. In the unlikely event that Merseyrail Electrics default in its payment the Authority through the Executive would guarantee the lease payments to the Lessor, Angel Trains, until a replacement franchise operator was appointed. Future minimum payments receivable under non -cancellable operating leases are:

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

The lease with Angel Trains expires in May 2015. However, negotiations have commenced to extend this lease until new rolling stock becomes available or the existing fleet undergoes a major refurbishment. The lease costs in the above table reflect the existing position of expiry in March 2015

34 Commitments (continued)

Lessor

Through its subsidiary the Executive, the Authority holds several operating leases with third parties. These are for interchange sites and ferry terminals in the Merseyside area. These non -cancellable leases have remaining terms of between 2 and 18 years.

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

	Group		Authority	
	2013	**2012**	**2013**	**2012**
	£000's	**£000's**	**£000's**	**£000's**
Operating leases which will expire:				
Within 1 year	413	394	-	-
Within 2 to 5 years	1,626	-	-	-
Over 5 years	3,295	1,970	-	-

Departure charges and facility fees charged to bus operators for the use of the Executive's bus stations are not included in the above table. For 2012/13, the Executive received £1,032k (2011/12 £1,077k) for these fee.

35. Post balance sheet events

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

There have been no significant events since 31 March 2013 that are relevant to an understanding of the Authority's financial position.

Glossary of Acronyms used in these Accounts

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

PAGES NOT FORMING PART OF THE AUDITED ACCOUNTS

Mersey Tunnels Revenue Account
For the year ended 31 March 2013

2011/12 £ooo		2012/13 £ooo
	Operating Expenditure	
4,813	Employees	4,300
1,438	Premises	1,410
1,270	Supplies & Services	1,207
133	Transport	147
7,680	Central Support Services	7,187
15,334	Total Operating Expenditure	14,251
	Asset Financing	
5,992	Capital Charges	5,941
9,353	Revenue Contributions to Capital Outlay	7,500
3,663	Levy Repayment	3,663
1,526	Transfers to/(from) Repairs & Renewals Fund	-
20,534	Total Asset Financing	17,104
35,868	**Total Expenditure**	**31,355**
	Income	
37,228	Toll Income	37,360
460	Fees and Other Charges	349
680	Release of provision	-
38,368	**Total Income**	**37,709**
-2,500	(Surplus)/Deficit before charging	-6,354
2,500	Tunnels Act 2004	6,354
0	**Total Deficit**	**0**

Appendix B

PAGES NOT FORMING PART OF THE AUDITED ACCOUNTS

Mersey Tunnels Balance Sheet as at 31 March 2013

As at 31/03/2012 Tunnels £ooo		As at 31/03/2013 Tunnels £ooo
	NON-CURRENT ASSETS	
	Property, Plant & Equipment:	
2,623	Freehold Property	2,555
-	Leasehold Property	-
1,142	Vehicles, Plant, Furniture & Equipment, Vessels	1,347
269,270	Infrastructure Assets	272,404
450	Community Assets	450
74	Surplus Assets	74
273,559	**Total PPE**	276,830
-	**Investments**	-
-	**Long Term Debtors**	-
273,559	**TOTAL NON-CURRENT ASSETS**	276,830
	CURRENT ASSETS	
-	Assets Held for Sale	-
408	Inventories	615
175	Short Term Debtors	225
3	Rechargeable accounts	5
36,482	Cash and cash equivalents	36,027
37,068	**TOTAL CURRENT ASSETS**	36,872
310,627	**TOTAL ASSETS**	**313,702**
	CURRENT LIABILITIES	
(1,811)	Deferred Liabilities -repayable within 12 months	(1,811)
(2,829)	Internal loan - repayable within 12 months	(3,083)
(936)	Long Term Borrowing - repayable within 12 months	(900)
(5,552)	Short Term Creditors	(6,686)
(25)	Provisions	(28)
(11,153)	**TOTAL CURRENT LIABILITIES**	(12,508)
25,915	**NET CURRENT ASSETS**	24,364
	NON-CURRENT LIABILITIES	
(83)	Long Term Creditors	(127)
(280)	Provisions	(220)
(23,544)	Deferred Liabilities	(21,733)
(6,444)	Internal loan	(3,361)
(22,494)	Long Term Borrowing	(21,665)
-	Other Long Term Liabilities	-
(52,845)	**TOTAL NON CURRENT LIABILITIES**	(47,106)
246,629	**NET ASSETS**	**254,088**
	FUNDS BALANCES & RESERVES	
7,256	Useable Reserves - Repairs and Renewals Fund	7,256
323	Unusable Reserves - Revaluation reserve	291
239,050	Unusable Reserves - Capital Adjustment Account	246,541
246,629	**TOTAL RESERVES**	**254,088**

This balance sheet is a memorandum item only and consequently does not include transactions relating to IAS 19 (Pensions)