Liverpool City Region Combined Authority

Statement of Accounts 2022/23
(Subject to Audit)

LIVERPOOL CITY REGION
COMBINED AUTHORITY

METRO MAYOR
LIVERPOOL CITY REGION

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INTRODUCTION TO THE ACCOUNTS

Our area has been on a remarkable journey of transformation over the past few years. Driven by my ambition to make the Liverpool City Region a more equitable, more inclusive, and more environmentally conscious place, we are laying the foundations for a more prosperous future for our 1.6m residents.

By investing in local schools and colleges, working to attract businesses, and helping to stimulate activity across the region, we are ensuring that not only are we creating well-paid jobs and training opportunities, but that local people have the skills needed to take advantage of them.

How we connect people to those opportunities is important too. We are building the London-style transport system our residents deserve with the rollout of our publicly owned hydrogen buses and trains, investment in active travel and work progressing to reregulate our broken bus network.

We launched an innovation prospectus, detailing the ‘shovel-ready’ projects that could establish us as the country’s innovation powerhouse. If fully realised, the developments listed could add an enormous £42bn to the local economy, creating 44,000 good jobs for local people.

My long-term plan is to build on our underlying strengths to deliver inclusive economic growth and, most importantly, to help our residents live longer, healthier, happier, and more fulfilled lives.

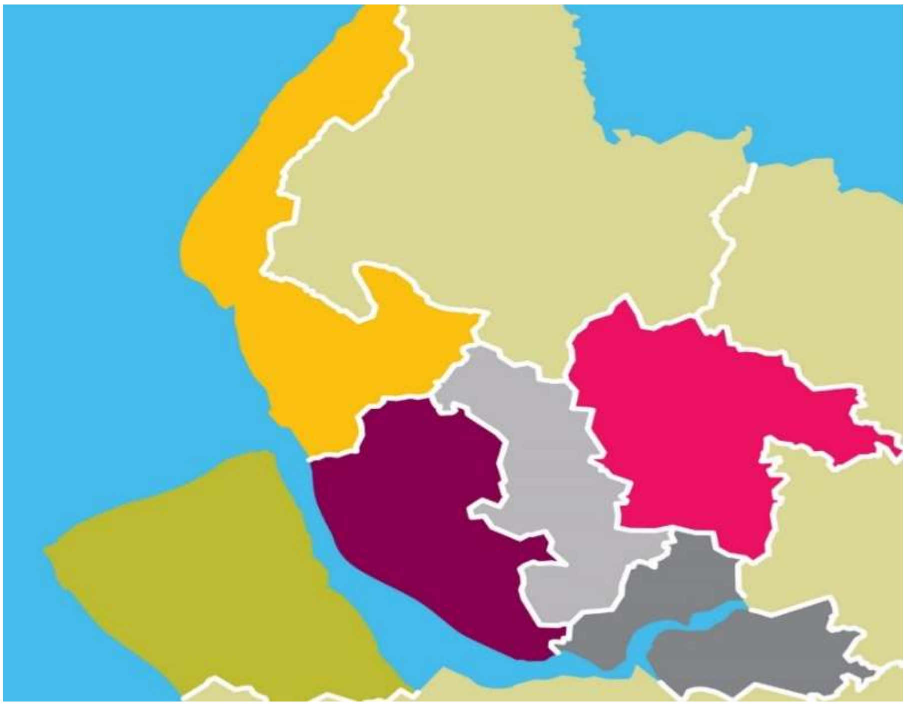
Because our success cannot - and should not - be measured by economic wealth alone. It is about the social value we create, the opportunities we unlock for local people, and the improvements we can make to health, life chances and wellbeing.

This is the Liverpool City Region, a region where no one is left behind.

Steve Rotheram – Mayor of the Liverpool City Region

NARRATIVE REPORT BY THE EXECUTIVE DIRECTOR OF CORPORATE SERVICES

Liverpool City Region Combined Authority (LCRCA) was established on 1 April 2014 as a statutory transport and economic development-related statutory body for Knowsley, Liverpool, St Helens, Sefton, Wirral and Halton local authority areas, serving a population of 1.6m residents. The functions of LCRCA are set out in legislation and include the transport functions previously undertaken by the Merseyside Integrated Transport Authority (MITA) and related powers held by Halton Borough Council, plus new responsibilities relating to economic development, regeneration and employment and skills across the Liverpool City Region. Merseytravel acts as the executive body which provides professional, strategic and operational advice on transport to LCRCA.



The region is recognised as a functional economic geography, with close to 85% of all travel-to-work flows self-contained within the City Region. Whilst the city of Liverpool is the dominant employment centre, economic activity is widely spread across the six districts. In broad terms Liverpool is the commercial, cultural and transport hub of the region, Halton has a cluster of chemical, science, technology sectors and Sefton, Knowsley, St Helens and Wirral provide key manufacturing and logistics for the area.

Despite the region being a well contained economic area, the City Region's coastal location in the North West of England means the region has economic connections with neighbouring areas (including Lancashire, Cheshire and Greater Manchester) but also internationally via the region's ports and airport. Liverpool City Region provides access to around 32 million individuals in the UK within just a few hours.

The region's economy is estimated to be worth £32.5bn based on GVA (gross value added) and has been one of the fastest growing in the North of England over the last 10 years. In the last decade, the Liverpool City Region has added over £1.5bn to its economy in real terms. The city region generates significant output through manufacturing, with Halton and Knowsley contributing 36% of all GVA, however other sectors, including health, retail and education, also play a key role in the city region economy.

Despite this, there is, however, a productivity gap: GVA per resident in the city region is around 74% of the UK level (£27,500 of GVA per resident) and since 2010, this gap has increased. As well as below average levels of productivity, the region faces a number of long-standing challenges around deprivation, with almost one third of all city region neighbourhoods in the most deprived 10% in England. These are particularly concentrated in east Wirral, north Liverpool/south Sefton and north Knowsley.

Other challenges include high economic inactivity (second highest rate of economic inactivity of all LEP areas in England), skills gaps (10% of working population have no qualifications compared with 7.5% nationally), poor health (45% of neighbourhoods in the bottom 10% nationally) and economic inactivity due to long-term sickness. Whilst progress has been made in addressing these challenges in the last 10 years these challenges continue to be key priorities for the Combined Authority over the next few years.

The Combined Authority's Plan for Prosperity sets out a long term vision to drive the economy, tackle inequalities and achieve our potential. The plan provides a framework for our future priorities and investment decisions, and for our conversations with Government about how we work together. It also articulates how we will build on our distinctive economic strengths, address our challenges and develop transformational policies to unlock growth and develop a clean and inclusive economy.

Governance & Structure

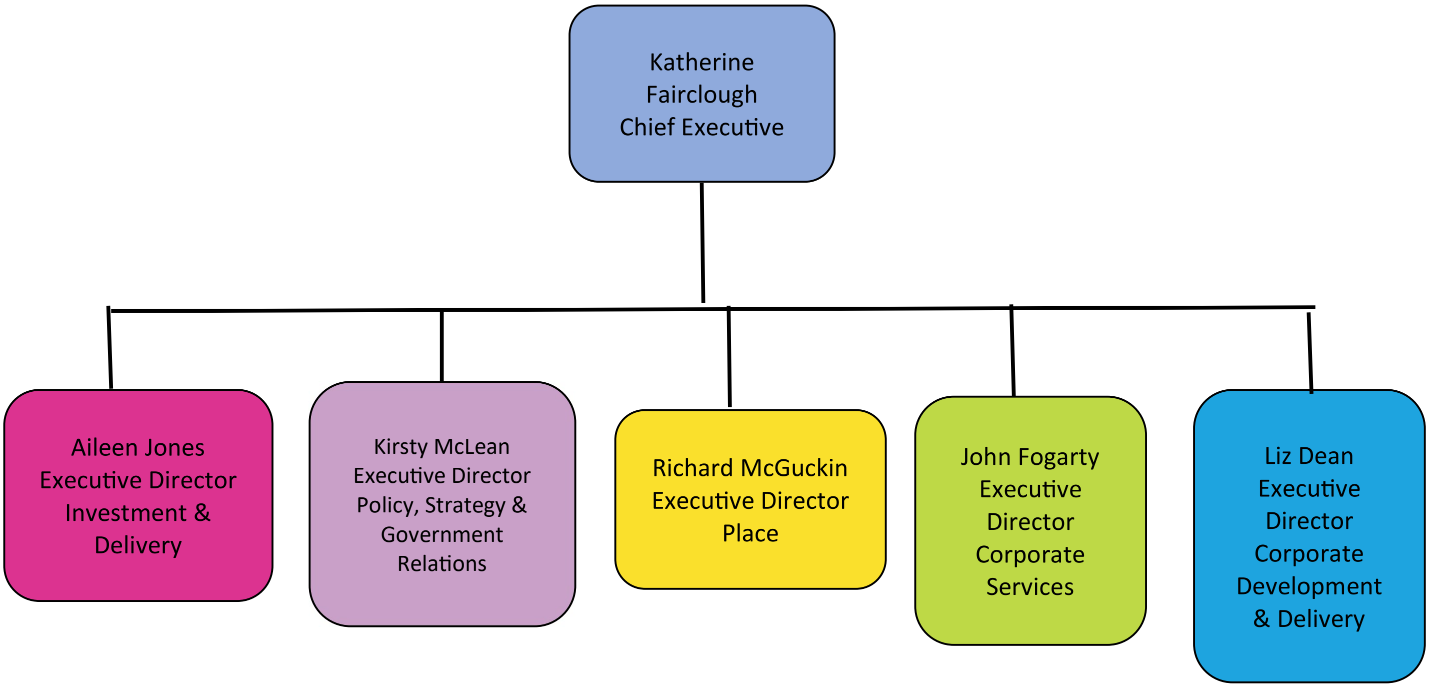
The Liverpool City Region Mayoral Combined Authority is comprised of the directly elected Mayor who chairs the CA and the leaders from each of the six constituent Local Authorities comprising the LCRCA area and the chair of the Local Enterprise Partnership (LEP) who is a non voting member. In addition, the Chair of the Transport Committee and the Police and Crime Commissioner are co-opted non voting members of the Committee. Warrington Borough Council and West Lancashire Borough Council are both associate non-voting members of the CA. The Combined Authority is organised on a portfolio basis and the table below outlines the portfolios and portfolio holders that were in place during 2022/23.

Portfolio	Portfolio Holder
Policy, Reform & Resources	Mayor of the Liverpool City Region, Steve Rotheram
Inclusive Economy & Third Sector	Cllr. Janette Williamson, Leader Wirral Council
Education, Skills, Equality & Diversity	Mayor Joanne Anderson, Liverpool City Council
Digital Connectivity & Inclusion	Cllr Ian Maher, Leader Sefton Council
Housing & Spatial Framework	Cllr. Graham Morgan, Leader Knowsley Council
Climate Emergency & Renewable Energy	Cllr. David Baines, Leader St Helens Council
Culture, Tourism & Visitor Economy	Cllr. Mike Wharton, Leader Halton Council
Transport & Air Quality	Cllr. Liam Robinson, Chair Transport Committee*
Criminal Justice	Emily Spurrell, Merseyside Police and Crime Commissioner
Business Support	Asif Hamid, MBE, Chair LCR LEP

*Resigned 16 December 2022 for the rest of the financial year the Deputy Portfolio Holder, Cllr Foulkes deputised.

The political composition of the Combined Authority is exclusively Labour with both the Mayor and all the Leaders of the constituent Local Authorities being Labour led.

The operation of the Combined Authority is supported by the Executive Leadership Team (ELT). The diagram below details the structure of the Executive Leadership Team.



As at 31 March 2023, the Combined Authority group (which incorporate Merseytravel and its subsidiaries) employed 962.3 FTE's compared with 893.3 FTE's as at 31 March 2022.

Financial Performance

Group Revenue Expenditure 2022/23

The Authority's budget was approved on 21 January 2022 which approved an expenditure budget of £205.6m with a Transport Levy of £99.4m, Tunnel Tolls income of £39.7m and a Mayoral Precept of £7.9m. The revenue budget was revised during the year, most latterly at the Combined Authority meeting on 3 March 2023. The table overleaf compares the actual spend against revised budget for 2022/23.

	Revised Budget £'000	Outturn 2022/23 £'000	Variance to Budget £'000
Place Directorate	65,452	59,240	6,212
Policy, Strategy & Government Relations Directorate	5,954	4,929	1,025
Corporate Services Directorate	5,098	4,662	435
Investment & Delivery Directorate	11,090	8,129	2,961
Corporate Development & Delivery Directorate	10,256	9,268	988
Mayoral Priorities	50	21	29
Corporate Management & Costs	1,048	502	546
Concessionary Travel	44,350	43,250	1,100
Net Debt Servicing Costs	7,494	7,111	383
Grant Payments to Partners	29,044	20,475	8,569
Halton Differential Levy	3,235	3,235	0
Total Expenditure	**183,071**	**160,823**	**22,248**
Funded by:			
Transport Levy	(99,352)	(99,352)	0
Tunnels Tolls	(42,977)	(42,686)	(291)
Mayoral Precept	(7,931)	(7,931)	0
Halton Differential Levy	(3,235)	(3,235)	0
Application of Specific Grants & Other Income	(40,279)	(31,305)	(8,974)
Transfer to/ (from) reserves	10,703	23,686	(12,983)
Total Income	**(183,071)**	**(160,823)**	**(22,248)**
Net Budget	**0**	**0**	**0**

The position detailed in the table above is based on actual cost against budget. These figures are difference from those detailed in the Comprehensive Income and Expenditure Account as the latter is based on proper accounting practice in compliance with the CIPFA Code. Within the main body of the Statement of Accounts, the levy position is detailed in the Movement in Reserves and Expenditure and Funding Statement.

Group Reserves and Balances

Based on the outturn position detailed above the resultant position in respect of the General Fund Balances is detailed below.

	2021/22 £'000	In Year Movement £'000	2022/23 £'000
Capital Reserves	(10,998)	(2,778)	(13,776)
General Fund Reserves (Group)	(11,665)	(11,052)	(22,717)
Earmarked Usable Reserves	(157,599)	(8,213)	(165,812)
Merseytravel Group	(54,988)	(3,293)	(58,281)
Total	**(235,250)**	**(25,336)**	**(260,586)**

A detailed list of balances and reserves are detailed in the Notes to the Core Financial Statements.

Group Capital Expenditure 2022/23

The Authority spent £251.744m on capital during 2022/23. This expenditure is summarised overleaf.

	2021/22 £'000	2022/23 £'000
Capital Grants to Merseytravel/ Districts/ other recipients (Revenue Expenditure funded from Capital under Statute)	171,779	211,978
Non-Current Assets (Property Plant and Equipment)	2,277	2,009
Property Assets	7,020	265
Non-Current Assets (Infrastructure)	1,807	3,705
Intangible Assets	709	241
Surplus Assets	43	0
Assets under Construction	69,051	33,546
Total	**252,686**	**251,744**

The table below details the funding of the capital programme.

	2021/22 £'000	2022/23 £'000
Capital Grants	168,897	164,944
Application of Reserves	4,419	1,616
Capital Receipts	0	233
Revenue Contribution to Capital Outlay	4,819	6,087
Other Contributions	0	0
External Borrowing	0	0
Internal Borrowing	74,551	78,864
Total	**252,686**	**251,744**

As detailed above a significant proportion of the capital investment made by the Authority relates to Revenue Expenditure funded from Capital under Statute (REFCUS). REFCUS relates to capital expenditure incurred on assets that are not in the ownership of the Authority, in the main this is Merseytravel and other SIF Partners.

The table below details the major schemes funded through the capital programme in 2022/23.

	2022/23 £'000
Rolling Stock programme	40,152
Headbolt Lane new station	33,943
CRSTS Highways Maintenance programme	30,172
Green Homes and Sustainable Warmth programmes	28,645
Active Travel Fund	7,059
Digital Backhaul project	3,191
Festival Gardens	19,904
Glass Futures	6,274
Halsnead Symmetry Park	3,792
Marine Lakes Events Centre	2,313
Eureka!	2,129

Borrowing

As at 31 March 2023, the Authority's borrowing was £307.821m. The table below details the composition of its debt.

	2021/22 £'000	2022/23 £'000
PWLB Borrowing	140,033	132,760
European Infrastructure Bank (EIB) Borrowing	174,426	168,197
Transferred Debt	9,153	6,864
Total	**323,612**	**307,821**

The movement in borrowing levels relate to the repayment profile of the Authority's loan portfolio as no new borrowing was undertaken during the year. The Authority's authorised limit for external debt for 2022/23 was £642m.

Investments

As part of a prudent investment strategy, the Authority seeks to invest any monies received in advance of need with public sector bodies and financial institutions of a high creditworthiness. As at 31 March 2023 the Authority had investments of £341.225m compared with £289.07m as at 31 March 2022.

2022/23 Performance and Delivery of Objectives

Performance against the CA Plan Priorities 2021/22

The Liverpool City Region Combined Authority was established in 2014. In 2015, we agreed a Devolution Deal with national Government and, in 2017, the first Metro Mayor was elected. We are a politically led organisation, led by the Liverpool City Region Mayor, the Local Authority Leaders of Halton, Knowsley, Sefton, St Helens and Wirral councils and the elected Mayor of Liverpool City Council.

The current LCRCA Corporate Plan covers a three-year period from 2021 to 2024. We are optimistic that this will be a period of recovery and growth while also recognising the uncertainty we face.

WHY ARE WE HERE?	The purpose of the Combined Authority is to **make a difference through devolution to improve the lives of the 1.6m** people we serve
WHAT ARE WE AIMING FOR?	A fairer, stronger, cleaner city region where no one is left behind
HOW WILL WE DO THIS?	We do this by **working in partnership** to use the powers and funding devolved to us to develop, fund and deliver programmes, projects and a transport system **in the best interest of our residents.**

The 2021/24 Liverpool City Region Combined Authority Corporate Business Plan is based on five priorities, with each Priority underpinned with Business Plan delivery activities and supporting Service Plans. The Priorities for 2022/23 are:

2022/23 Performance

The LCRCA has a performance management framework driven by its key priorities for 2022/23. A set of performance measures have been developed to ascertain progress against key priorities. Where possible, targets are set which are challenging and aimed at stretching the organisation to drive improvement.

Each Priority has specific delivery activities and information is collected and reported on a quarterly basis to the Chief Executive with monthly updates on operational performance also being collected and submitted to the Executive Leadership Team. A RAG system is applied to facilitate managing the delivery of the activities/priorities which is shown below.

RAG Rating	Description
Red	Highly Problematic – Delivery of activity/Priority at significant risk
Amber	Problematic – Delivery of activity/Priority at risk but not significant
Green	Well Managed – No risk to the delivery of the activity/Priority or nearing completion/delivery
Blue	Delivered/Completed – the activity/Priority delivered
Purple	Abandoned or Not Being Progressed – project or activity abandoned, or it has been decided to not progress

For each of the five corporate priorities, progress is tracked, and a RAG status applied to demonstrate progress against each. The table below provides an overview of performance at the end of quarter 3 2022/23.

Priority	RAG Status
Priority 1: A Fairer City Region	Amber ↔
Priority 2: A Stronger City Region	Green ↔
Priority 3: A Cleaner City Region	Amber ↔
Priority 4: A Connected City Region	Amber ↔
Priority 5: A Vibrant City Region	Amber ↓

Key successes against each priority during 2022/23 are detailed in the section overleaf.

Priority 1: A Fairer City Region

Liverpool City Region publishes ambitious Equality Strategy

This important strategy makes a commitment to promote equality, diversity and inclusion throughout all of the Combined Authority's work. It sets out how we will work within our own organisation and with our stakeholders across the City Region to achieve our vision for a fairer city region. It includes a landmark commitment to a new socio-economic duty which will seek to protect people from discrimination on the grounds of social class.

£8.1m boost to expand Skills Bootcamps across the Liverpool City Region

Building on the success of the pilot digital skills bootcamp, the Combined Authority has secured a further £8.2m to deliver skills bootcamps in construction, digital, engineering, green skills, HGV driving, and rail. It is estimated that approximately 2,200 residents will benefit from the free courses over the next financial year: meeting demand for skills from local employers.

Housing First extended until 2025

Housing First is one of the most important solutions to tackling homelessness in the UK, and further afield. The Liverpool City Region was one of three national pilots announced in 2018, receiving an initial award of £7.7m, and has subsequently received an extension of funding until 2025. This will assist a further 200 homeless people, with high and complex needs, back into secure, non-conditional accommodation. Given the intensity of wrap around support offered, it is estimated that the approach saves the public purse nearly £35,000 for every person assisted – which is significantly more cost effective than other similar housing related schemes.

£5m plan to extend a pioneering education programme to some of the City Region's most deprived areas

Cradle to Career is a place-based change and collaborative leadership programme. It brings together system leaders and communities to improve outcomes for young people in some of the region's most left behind communities. With support from the Combined Authority, Right to Succeed, is rolling the programme out to five of the LCR's most deprived areas, following the success of the project first piloted in North Birkenhead. The project aims to support 3,000-5,000 children and young people over the period a five year period.

More than 21,000 local government staff set to benefit from Race Equality Training

Race equality training is being rolled out to all employees of the Liverpool City Region's six Local Authorities and the Combined Authority, estimated at 21,000 employees. In the first six-month period alone, 1,500 people benefitted from the training, which is just one component of the £3.6m Race Equality Programme being delivered by the Combined Authority. A Race Equality Hub has been established to offer advice and support to both residents and businesses across the City Region.

Adult Education Budget supports local increase in L2 Qualifications

During the year, the devolved Adult Education Budget (AEB) has supported over 35,000 learners, with training provided by a network of 34 local colleges, community learning providers and independent training providers. Approximately 60% of learners were female, over 23% of learners were from Black, Asian and ethnic minority backgrounds, and a similar proportion of learners typically reported having a disability, learning difficulty or health issue. The training support provided through AEB is now starting to impact on the City Region's overall qualification rates, with the percentage of the population with an NVQ Level 2 or above currently standing at 78.2%, higher than both the North West average of 77.2% and the national figure of 78.1%.

Priority 2: A Stronger City Region

Plan for Prosperity published

The Plan for Prosperity was published in 2022 and provides an integrated economic and place-based strategy that sets out our long-term vision up to 2035 - for transforming together to deliver a Fairer, Stronger, Cleaner Liverpool City Region. It sets out the City Region's key priorities, how we will build on our key strengths, address our challenges, and how we intend to position ourselves nationally and globally. It also presents a unique vision of devolution underpinned by more powers, more funding and partnership with government.

Promoting innovation within the Liverpool City Region

The Innovation Prospectus was launched during the year, with a supporting plan that aims to create an additional 44,000 jobs within the City Region, adding £19.7bn to the economy through research and development (R&D) investment. Building on the successful launch of the prospectus, LCR was chosen to pilot a new innovation fund by Innovate UK. The ground-breaking programme aims to develop and strengthen innovation clusters outside south-east England. Innovate UK has made an initial £6m available to applicants to drive impact in the Liverpool City Region and Tees Valley.

Liverpool City Region committed to maximising Social Value

During the year, the Combined Authority launched its new Social Value Policy and Framework, with a commitment to ensure that Social Value benefits are realised in all activity across the organisation, recognising the CA's role as an employer; commissioner, investor, and service provider; and regional civic leader. The document provides a consistent approach to embedding social value across the organisation and exploring new ways of creating, measuring and reporting on our achievements.

Liverpool City Region Freeport – open for business

Liverpool City Region's Freeport, one of only eight in England, is now officially open for business, and the Mayor has pledged to use the status as a "force for good". As a national hub for global trade and investment; hotbed for innovation and net zero initiatives; and regeneration zone - early estimates suggest that the Freeport could create more than 14,000 new highly skilled jobs, deliver £800m of investment and generate an additional £850m of GVA for the City Region's economy.

Helping local businesses to grow and thrive

More than 160 businesses in the digital, creative and tech sector have benefited from support provided by the £3.5m 'Gather' project aimed at improving the competitiveness of SMEs in the City Region. It is estimated that these businesses will create/safeguard in the region of 350 jobs within the local economy; and the project is just one of a number aimed at strengthening the overall Business Ecosystem. The business support on offer, with aims to assist companies at various stages in their business lifecycle, also includes the newly established £20m LCR Seed Fund, with support from the Combined Authority, Merseyside Special Investment Fund and private capital. This fund aims to help innovative start-up businesses grow and create highly skilled jobs across the City Region.

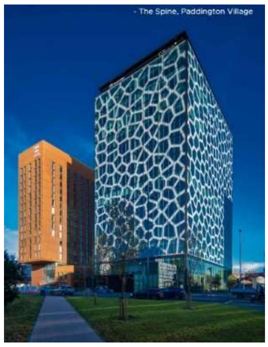
Jobs and Skills Boost as Local Growth Fund Projects exceed their targets
Over the last financial year, through Local Growth Fund projects alone, the Combined Authority has created 2,045 new jobs (35% above forecast) including 526 new apprenticeships against a target of 1,519. Approximately 4,100 people have also started new skills courses against a target of 2,889 (42% above forecast). To date, the Local Growth Fund has created more than 18,000 jobs, supported nearly 200 projects across the City Region including high-profile transport, housing, skills and business growth schemes.

£4.7m Cost of Living support prioritised through Shared Prosperity Fund
The Combined Authority has partnered with Citizens Advice and the Women's Organisation to provide cost of living advice and support to some of the City Region's hardest-hit residents. The new three year shared prosperity fund aims to provide support for communities and place; support local businesses; and assist people and skills, as part of its levelling up agenda.

Fair Employment Charter
The Fair Employment Charter launched with 69 employers approved at the Aspiring Level, with work underway to develop criteria for a new Accredited Level. The Charter encourages businesses to pay staff a Real Living Wage, clamp down on the use of zero hours contracts, provide mental health support, encourage flexible working and engage with trade unions. A further 85 companies are currently in discussions with the Combined Authority with a view to signing up to the charter.

Multinational entertainment giant leases historic Liverpool building, following refurbishment supported through Combined Authority funding
Work on the Grade II building that housed Liverpool's first public library on Duke Street was completed with the help of nearly £5m from two Combined Authority investment fund applications. This funding helped to unlock the project at a time when commercial funding was not available; and as the funding has now been repaid in full; it will be reinvested back into future economic growth projects within the LCR.

Paddington Village, Liverpool
This development aims to create 870 new jobs and boost the local economy by £58m per year. 'The Spine' is now located at No2 Paddington Village, providing a £35 million beacon for the rapidly expanding Knowledge Quarter in Liverpool Centre. It is the first Grade-A office building in the Liverpool City Region for more than a decade, and hosts the Royal College of Physicians, the ground-breaking Pandemic Institute and a range of innovative businesses and organisations – including the Combined Authority's Lyva Labs innovation investment vehicle, launched in 2022.



Priority 3: A Cleaner City Region

Liverpool City Region's new hydrogen buses

The Hydrogen Bus project will deploy the first fleet of 20 hydrogen buses across the Liverpool City Region. A series of Green Bus Routes will be established across the City Region, and it is envisaged that the buses will provide a high-quality passenger journey experience and benefit from significantly reduced carbon emissions. The vehicles will be recognisable from their unique new Metro livery.

Retrofit Programme

More than 1,300 householders benefitted from 'retrofit schemes' during the year, which has seen homes fitted with the latest energy efficient improvements. The Combined Authority secured £60m from the Department for Business, Energy and Industrial Strategy for the scheme to reduce heating bills and carbon output for low-income households. The delivery of the retrofitting schemes are also leading to the creation of new jobs and skills requirements within the construction sector.

Public buildings across the Liverpool City Region plot path to net zero

St George's Hall, the Williamson Art Gallery and St Helens Town Hall are among 50 public buildings across the Liverpool City Region set to move closer to net zero. Funding has been secured (£400k) to enable specialists to work out how best to replace fossil fuel heating in each building with low carbon alternatives, such as heat pumps and solar panels.

Prescot Bus Station facelift completed

Prescot Bus Station has recently been upgraded as part of a package of works to transform a number of green bus routes across the LCR. The bus station is located outside the new prestigious Shakespeare North Playhouse and will contribute to the wider regeneration of the Town Centre. Prescot was selected as one of the first to benefit from the Combined Authority's £152m Green Bus Routes programme as it has one of the busiest bus corridors in the City Region.

Priority 4: A Connected City Region

Active Travel

£12m of additional funding has been secured to build high-quality walking and cycling routes across the Liverpool City Region, with the aim of making the region one of the best places in the country to walk and cycle. Halton also developed a new Liverpool City Region cycle route/link between Runcorn and Daresbury to connect the train station, housing developments and Sci-Tech Daresbury campus as part of the planned 600km network across Liverpool City Region.

City Region Sustainable Transport Settlement funding confirmed

During the year, LCRCA received confirmation from the Government of its £710m CRSTS settlement (City Region Sustainable Transport Settlement) to improve public transport across the region. Approximately 28 schemes will benefit from the funding, improving 5 main corridors in the Liverpool City Region – Cross River Corridor; Mersey Gateway; Eastern Gateway; the Coastal Corridor; and LCR wide improvements. The funding aims to support growth and productivity in the LCR, sustainable travel, levelling-up, and decarbonisation.

£2 bus fare for the Liverpool City Region confirmed

The £2 single adult fare for all bus services in the Liverpool City Region was confirmed during the year, complementing plans to make transport more affordable, quicker and more reliable for residents.

LCR Connect

Sci-Tech Daresbury has become the first location in the Liverpool City Region to install LCR Connect full fibre - doubling capacity for more than 150 world-leading science and technology businesses based on the campus. Church Drive Primary School on the Wirral were the first school to receive LCR Connect which is the 212km full fibre, gigabit-capable network spanning the six local authority areas of the Liverpool City Region.

Liverpool City Region's new Rolling Stock

The first tranche of the new £500m trains have become operational during 2022/23. The new fleet is the first in the country to provide step free access for all. The trains are being rolled out in phases – with the first operating on the Kirkby branch of the Northern line. The Ormskirk branch will be next, with the rest of the network on both the Northern and Wirral lines following towards the end of the year.

Bus Reform

Plans to reform bus services in the Liverpool City Region took an important step forward during 2022/23 as franchising became the preferred model for running the bus network and services in the future. The Liverpool City Region is one of only two places in the country to select franchising to date. The next stage of the process commenced with a formal consultation asking local residents, businesses, trade unions and stakeholders for their feedback on potential plans to bring bus services back into public control.

Priority 5: A Vibrant City Region

Liverpool City Region wins big at the BAFTA TV awards

The LCR Production Fund was launched in March 2019, marking 30 years since the establishment of the Liverpool Film Office (LFO). It provides financial support to develop the film, TV and related digital industries across the LCR, by investing in a diverse portfolio of high-quality content. To date, six productions have been supported, delivering a much higher return on investment (6.7:1) compared with 3:1 for independent films and 5:1 for high end TV. Two productions 'Time' and 'Help' have recently secured two BAFTAs each; and two productions have been recommissioned for a second series – boosting the profile of the City Region as a highly desirable location for filming.

Liverpool City Region Music Office launched

The Combined Authority has continued to support the development of the Music Industry during the year through £2m funding towards the implementation of an action plan developed for the sector. The plan aims to address skills shortages in the industry; increase productivity and growth in LCR's creative businesses; and address the lack of specialist support and advice tailored to the needs of businesses in this sector. The project led by the Music Office at Liverpool City Council, provides guidance, support and a single point of contact to support business growth, skills and talent development.

The World Reimagined

The World Reimagined - a trail of large globe sculptures – transformed public spaces across the City Region during August to October 2022. The project, which featured ten large globe structures created by artists and inspired by themes of racial justice, aimed to inform and change understanding of the transatlantic slave trade.

£17.7m awarded to support a new events centre in Southport

Through its investment fund, the Combined Authority is supporting Sefton Council's plans to build a new Marine Lake Events Centre in Southport. This ambitious £73m project which has also attracted Towns Funding from DLUHC, will seek to create a 1,500-capacity theatre, events and conference centre. Construction and operation of the new venue is projected to create 200 jobs and attract more than 500,000 visitors to the town annually.

£4.3m fund to attract major events to Liverpool City Region

The Combined Authority has made an investment of £1.4m into a new fund to attract major business conferences and sporting events to ACC Liverpool. Building on the success of the World Gymnastics Championships held at the Arena in November 2022 which attracted 520 gymnasts from 75 countries, the fund is aimed at attracting other major events to the City Region.

Brownfield Land Fund

Lightbody Street a former factory in Liverpool and Moss Nook in St Helens are among 16 Brownfield Land Fund housing schemes, which have received funding from the Brownfield Land fund to support the remediation and development of housing site on brownfield land. These two schemes have received £26m funding and will support the development of 2,364 prospective new housing units in the City Region. The overarching £60m Brownfield Land Fund programme will unlock land to build at least 4,000 new homes.

Shakespeare North Playhouse, Knowsley

Shakespeare North Playhouse opened in the summer of 2022. A reproduction 350-seat Jacobean theatre with education facilities, studio theatre, exhibition area, café/bar and outdoor spaces, the venue aims to attract visitors and students both nationally and internationally. It is estimated that the Shakespeare North Playhouse will attract more than 100,000 new visitors to the Liverpool City Region each year from across the UK and internationally and boost the city region economy by £13 million a year during construction and by £5.3 million each year following opening.

Financial Outlook and Challenges

As part of budget setting for 2023/24, the medium term financial plan was updated to push the outlook for projections out to 2027/28, taking account of all relevant factors impacting on the budget, including the key priorities outlined in the Corporate Plan, ensuring resources were aligned with priorities. At its meeting on 20 January 2023, the Combined Authority approved a revenue budget of £231.2m and a capital programme of £289.3m for 2023/24.

In setting a balanced budget for 2023/24, a 2.95% increase to the Transport Levy and amendments to the schedules of Tolls discounts, raising £3.4m were proposed and approved. In addition, savings of £4m were taken from across the organisation, however projections showed that, without further action being taken, there would be a net budget requirement of £14.9m in 2024/25 rising to £27m in 2027/28.

As part of the 2022/23 budget setting the Combined Authority committed to a five year financial strategy aimed at achieving financial sustainability and therefore to address the underlying budget gap, a body of work is underway through the In Shape to Delivery programme which will focus on internal business transformation to develop modern and efficient services and business processes, generating savings to the Combined Authority. A vital part of the budget strategy is the maximisation of income and over the coming years the Authority will also look to exploit opportunities to generate commercial income and use devolved revenue raising powers.

Whilst the direct impact of Covid on the Combined Authority's financial position has been limited, the wider economic conditions do present a number of financial challenges and risks to the Combined Authority which it will need to manage during 2023/24 and beyond. The rapid escalation of inflation during 2022/23 has negatively impacted on all areas of the Authority's business but specifically in respect of operational and transport services. Higher pay awards and utilities costs have directly impacted the budgetary position in areas such as Tunnels, Ferries and Asset Management and indirectly Bus Services through this leading to higher contract prices. Whilst inflation is projected to reduce over the next couple of years, it still remains significantly above the 2% target and with continued high inflation there is a strong likelihood that pay claims and the cost of goods and services will remain elevated which could place further pressure on the Authority's budget.

As the Combined Authority has matured as an organisation, its vision and ambition for the future has become clearer and politically there is great drive to deliver change for the City Region. The Authority has been extremely successful in securing funding from government, which is being used to help meet corporate priorities and make a real difference to the 1.6 million residents of the Liverpool City Region. Whilst securing funding assists the Combined

Authority in providing the financial resources to back its vision, as a primarily strategic body the Combined Authority's places a significant reliance on its partners in the delivery of its key objectives.

With such a reliance on external bodies to develop up and deliver on large scale schemes, one of the principal delivery risks that the Combined Authority faces relates to partner's internal capacity. Years of austerity and cuts have left the constituent Local Authorities with fewer staff and resources available to develop and support large scale regeneration schemes and those that are available are dealing with competing pressures. This can translate into a delivery challenge for the Combined Authority who, as the Accountable Body for funding is responsible to government for demonstrating delivery and spend against targets.

The risk to the Combined Authority is well understood, is reflected in the corporate risk register and a number of mitigations have been identified to assist the Authority mitigate and manage this risk. Key mitigations centre around the development of a shovel ready pipeline and identification of resources to fill capacity gaps. Funding provided through the Combined Authority's own resources and grant funding from government provides the opportunity to address some of these issues.

Future Outlook

Over the next twelve months the Combined Authority will strive to continue to deliver against key strategic priorities as detailed in its Corporate Plan 2021-2024;

- Improve access and pathways to employment for those at greatest risk of long term worklessness;
- Increase the range of support available to people experiencing poverty, exclusion and inequality;
- Improve equality of outcomes across all protected characteristics;
- Promote and support positive health and wellbeing;
- Strengthen and develop the business support offer;
- Further embed Community Wealth Building approaches and increase the amount of social value local businesses deliver;
- Improve the attractiveness of the City Region as a place to do business;
- Attract investment in research and development to drive innovation and global competitiveness;
- Accelerate plans for a net zero carbon economy by 2040;
- Develop the City Region's renewable energy offer;
- Improve energy efficiency of buildings and houses;
- Improve sustainability of public transport;
- Improve digital and physical connectivity between all people and places;
- Enhance the role of transport and infrastructure as strategic enablers to meet City Region ambitions;
- Transition towards further devolution of transport and increased public ownership;
- Ensure people have access to quality affordable homes;
- Support plans for a vibrant place offer across the City Region; and
- Enhance our cultural offer and the City Region's attractiveness as a visitor destination.

In addition to the priorities stemming from the Corporate Plan there will be a body of work for the Combined Authority to undertake to gain a full understanding of the implications of the English Devolution Accountability Framework which was published in March 2023. An extension of the broader Local Government Accountability Framework, this sets out how organisations such as Mayoral Combined Authorities will be scrutinised and held to account.

Basis of Preparation and Presentation of Accounts

The Combined Authority completes its accounts on a going concern basis on the presumption that it will continue in existence for the foreseeable future. The Statement of Accounts that follow demonstrates LCRCA's financial performance for the financial year ending 31 March 2023. These accounts are completed in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. Disclosures are made within the accounts based on an assessment of materiality; a disclosure would be considered material if through omission or misstatement the decision made by the user of the accounts would be influenced.

The assessment of materiality also impacts on the Combined Authority's decision to produce group accounts. The Combined Authority has a number of entities within its group boundary as detailed below:

- Mersey Tidal One Limited;
- LCR Urban Development Fund (GP and Limited Partner);
- LCR Chrysalis Holdings Limited (GP and Limited Partner);
- Growth Platform;
- Liverpool City Region Digital Limited;
- Merseytravel and its subsidiaries;
    - Mersey Ferries Limited;
    - The Beatles Story;
    - Merseyside Passenger Transport Services Limited;
    - Real Time Information Group Limited; and
    - Accrington Technologies Limited.

Each year the Authority assess the materiality of the transactions and if they are material, they are incorporated into the group. For the financial year 2022/23, the Combined Authority group accounts incorporate the result of Merseytravel group and Liverpool City Region Digital Limited. The results of the other companies are not incorporated into the group as they are either dormant or not material, but disclosure of their results is made in the related parties note.

For the 2022/23 accounts, the results of the Combined Authority single entity and group are shown as one with figures for each entity being shown side by side in a table. This is a departure from the previous presentation of the group then single entity accounts being shown separately however it is felt that this will aid the ease with which the readers of the accounts can consider the results of both entities.

Explanation of the Annual Statement of Accounts

Under the Accounts and Audit Regulations (2015), the Combined Authority is required to produce an Annual Statement of Accounts each year. The following provides a brief overview of the various sections of the Annual Statement of Accounts.

Statement of Responsibilities for the Statement of Accounts

This outlines the responsibilities of both the Authority and the Treasurer for the production and content of the Annual Statement of Accounts.

Narrative Report

Provides a summary of the Authority's financial and non financial performance for the year.

Annual Governance Statement

This explains the effectiveness of the governance framework in operation during the financial year.

External Auditors Report

This provides the External Auditor's opinion on the financial statements and the Authority's arrangements for securing economy, efficiency and effectiveness.

Movement in Reserves Statement

This statement shows the movement in reserves held by the Authority during the financial year, splitting them into usable and unusable reserves. The Deficit/ (Surplus) on the Provision of Services shows the cost of providing the Authority's services under proper accounting practice which is different from the statutory amounts required to be charged to the General Fund Balance for levy setting purposes. The Net Increase/ (Decrease) before Transfer to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers (to)/ from earmarked reserves.

Comprehensive Income and Expenditure Statement (CIES)

This statement shows the cost of providing services in accordance with generally accepted accounting practices as opposed to the amounts to be funded from the levy. The Authority raises a levy to cover expenditure in accordance with regulation which is not necessarily the same as the accounting cost. Whilst the position detailed in the CIES will differ from that shown in the Authority's management reporting, the levy position is detailed through the Movement in Reserves and Expenditure and Funding Analysis.

Balance Sheet

This shows the value of the Authority's assets and liabilities at the Balance Sheet date. Net assets of the Authority are matched by the reserves (both usable and unusable) held by the Authority.

Cash Flow Statement

This statement summarises the actual flows of cash arising from the Authority's transactions during the financial year. This shows the changes in cash and cash equivalents during the year.

Notes to the Financial Statements

These include additional information on items included within the core financial statements.

John Fogarty (CPFA)
Executive Director Corporate Services
31 May 2023

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The 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 this instance that Officer is the Executive Director Corporate Services of LCRCA;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Responsibilities of the Executive Director Corporate Services of LCRCA

The Executive Director Corporate Services is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ("The Code"). The Statement of Accounts is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year end 31 March 2023. In preparing this statement of accounts, the Executive Director Corporate Services 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;
- assessed the ability of the Authority to continue as a going concern; and
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

The Executive Director Corporate Services has also:

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

Responsible Financial Officer's Certificate

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

John Fogarty (CPFA)
Executive Director Corporate Services
31 May 2023

ANNUAL GOVERNANCE STATEMENT

1. INTRODUCTION

Liverpool City Region Combined Authority (herein referred to as the Combined Authority) is required by law to review its governance arrangements at least once a year.

Preparation and publication of this document, the Annual Governance Statement (AGS), in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016), fulfils this requirement.

The definition utilised by the CIPFA/SOLACE guidance states:

"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."

The AGS is a key corporate document, intended to provide an accurate representation of the corporate governance arrangements in place during the year, which have supported delivery of organisational objectives to stakeholders; reflecting where arrangements have been effective, and where any improvements are required.

The governance framework has been in place at the Combined Authority for the year ended 31 March 2023 and up to the date of approval of the Statement of Accounts.

2. SCOPE OF RESPONSIBILITY

The Combined Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively.

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

The Combined Authority has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government (2016). A copy of the Combined Authority's Code of Corporate Governance is available to employees for reference via the Constitution.

This Statement explains how the Combined Authority has complied with the Code of Corporate Governance and meets the requirements of Regulation 6(1)(b) of the Accounts and Audit (England and Wales) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

3. PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture, and values by which the Combined Authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the organisation 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 its aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they materialise, and to manage them efficiently, effectively and economically.

4. OVERALL GOVERNANCE FRAMEWORK

The Combined Authority is led by directly elected Mayor Steve Rotheram and brings together Liverpool City Region's six Local Authorities – Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral.

The Mayoral Combined Authority (as detailed in the legislation - Combined Authorities (Mayoral Elections) Order 2017) is both a strategic and operational body. The Mayor exercises certain devolved powers working in formal collaboration with the Leaders of each of the City Region's Local Authorities and the elected Mayor of Liverpool City Council (from May 2023, this will be the Leader of Liverpool City Council, as the elected mayor role no longer exists).

The Combined Authority has devolved powers over:

- Economic Growth
- Housing
- Culture
- Employment and Skills
- Transport

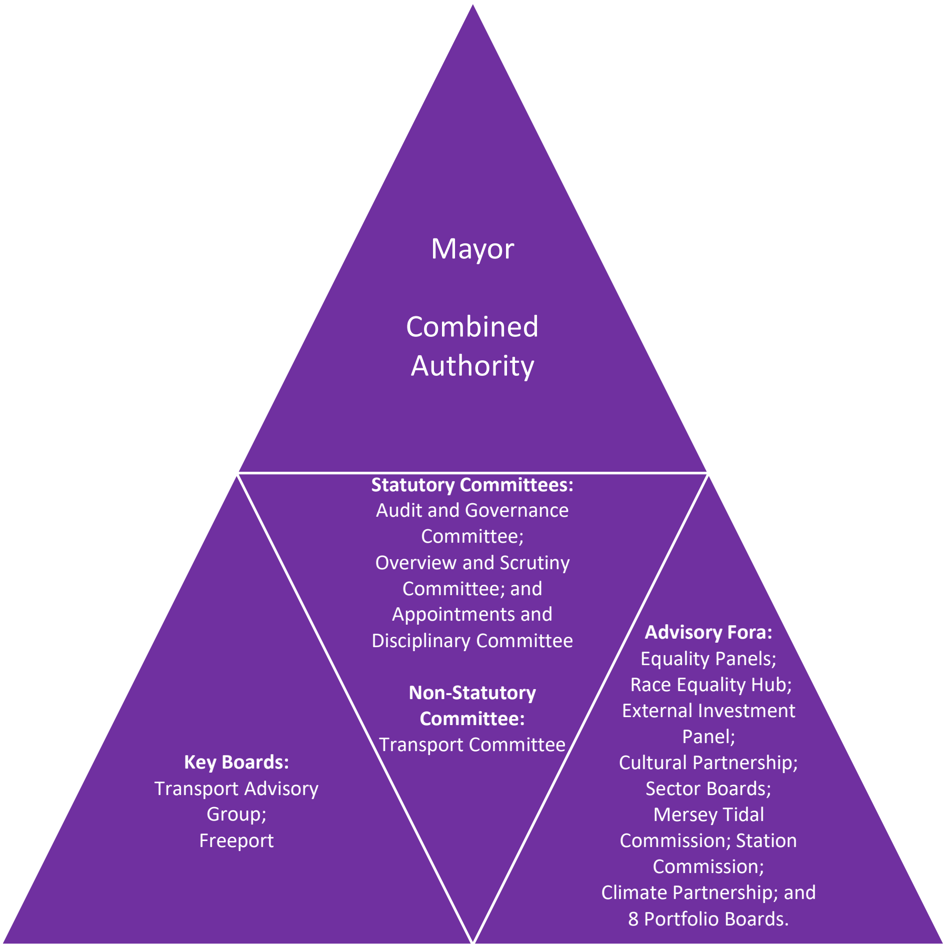
The Combined Authority is the Transport Authority for the City Region. It exercises this role predominantly through policy setting, oversight, and delegation of responsibilities to Merseytravel, its Passenger Transport Executive.

Merseytravel pre-dates the Combined Authority and operates across the five Local Authority areas that form the County of Merseyside. Halton Council, although part of the Combined Authority retains its direct transport operations, although there is integration at a strategic level.

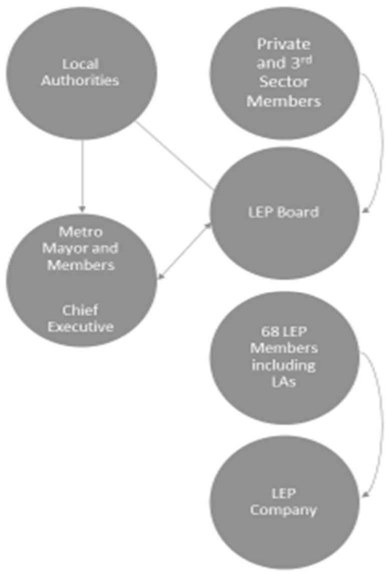
The Combined Authority sets the budget for Merseytravel and is responsible for key transport policies. Merseytravel is responsible for the implementation of the Combined Authority's policies and, under the Transport Act 1968, retains its status as a distinct statutory body. Despite its separate statutory status, for all practical purposes, there is little distinction between the Combined Authority and Merseytravel. Some of the Directors of the Combined Authority are also Directors of Merseytravel. The statutory functions of Head of Paid Service, Monitoring Officer, and Director of Finance are fulfilled on a joint basis across the two organisations.

The Combined Authority also includes the Chair of the Local Enterprise Partnership (LEP) in its formal decision-making structure. Significant changes in governance were introduced in 2019/20 in response to the “Review of Local Enterprise Partnership governance and transparency” (known as the Ney Review). These changes involved the separation of the strategic and operational elements of the LEP through the creation of the Growth Company, a wholly owned subsidiary of the Combined Authority. The LEP Board remains independent of the Combined Authority. Following a government review of LEPs, which culminated in the Levelling Up White Paper in January 2022, the Combined Authority is required to integrate the functions of the LEP into the Combined Authority. This has also presented an opportunity to align the activities and resources of the Growth Platform with those of the Combined Authority. Work towards integration is underway.

The following diagram summarises the key elements of the governance framework for Combined Authority (incorporating Merseytravel) in 2022/23:



The structure in relation to the Local Enterprise Partnership (LEP) is detailed in the diagram overleaf:



The key sources of assurance are:

Documents Providing Assurance:
Code of Corporate Governance
Corporate Plan and Service Plans
Performance Management Framework
Corporate Risk Register, Service Risk Registers

- **Underpinning Policies:**
- Constitution
- Scheme of Delegation
- Finance and Contract Procedure Rules
- Codes of Conduct and Ethics policies
- Corporate Risk Management Policy
- Fraud, bribery and corruption protocols
- Confidential Reporting (Whistleblowing) protocols
- Information management policies

Decision-making Functions:
Decision-making delegated to officers
Roles of Statutory Officers
Programme Boards

- **Legislation and Guidance:**
- Accounts and Audit Regulations (2015) as amended
- Local Audit and Accountability Act (2014)
- CIPFA /Solace: Delivering Good Governance in Local Government (2016)
- Public Sector Internal Audit Standards (revised 2017)

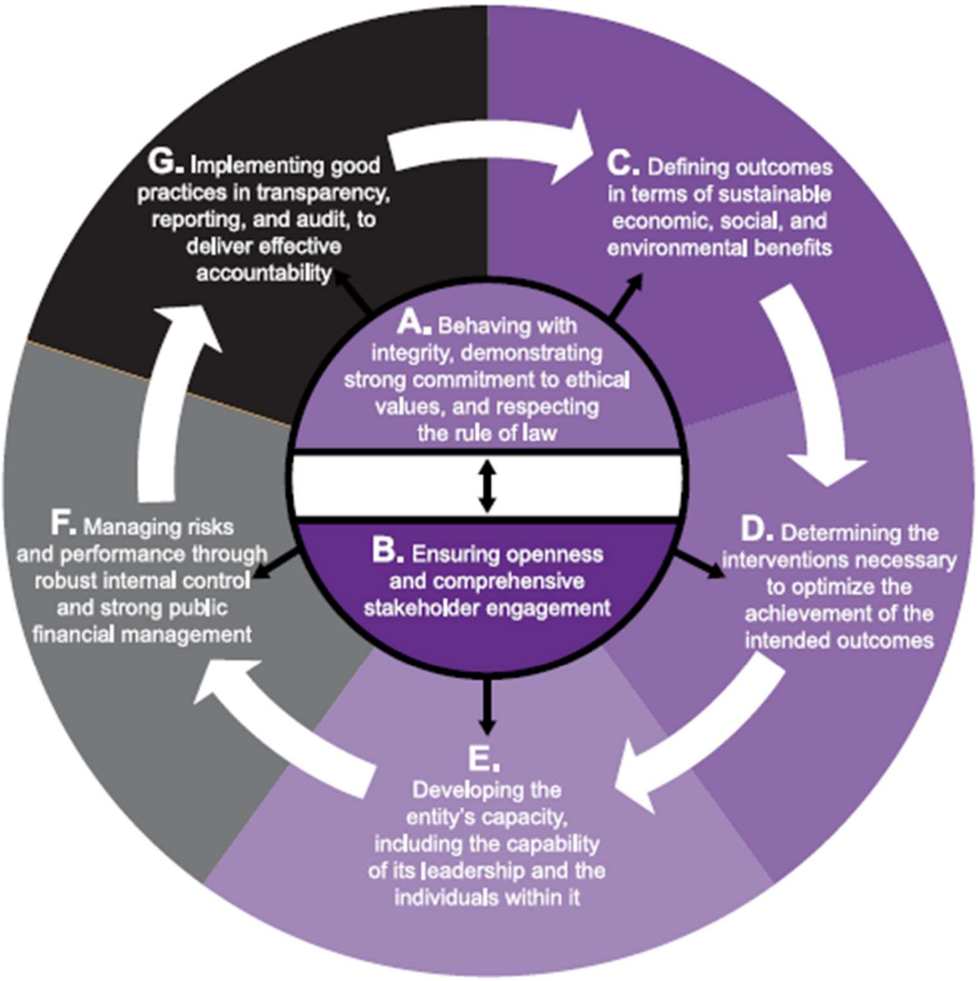
Assurance Providers:
Internal Audit
External Audit
Programme Management Office
Investment Team
Performance Management Team
External Inspectorates

- **Assurance Reports:**
- External Auditor: Annual Audit Letter
- Head of Internal Audit Annual Report
- Annual Governance Statements
- External Reports
- External evaluation from government including LEP Annual Review

5. REVIEW OF EFFECTIVENESS

The Combined Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by Executive Directors, Assistant Directors and Heads of Service within the organisation who have responsibility for the development and maintenance of the governance environment (including feedback and comments from the annual Governance Assurance Statement process; to which all relevant officers contributed); the Head of Internal Audit's Annual Report and Opinion; and from comments made by the external auditors and other assurance providers.

The Combined Authority aims to achieve good standards of governance by adhering to the seven core principles below, which form the basis of the Code of Corporate Governance. The CIPFA/SOLACE guidance sets out seven key principles of good governance:



The Combined Authority has conducted a review of its effectiveness against each of the CIPFA/SOLACE principles, and this is detailed on the following pages.

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
The Combined Authority Constitution was updated and approved in April 2022; and a revised Officer Code of Conduct was approved in December 2022. Feedback from managers indicates an improved level of awareness of the Code. A joint Code of Corporate Governance, detailing the Nolan Principles, was updated, approved, and relaunched to all employees in December 2022. Whilst understanding and awareness of the Seven Principles of Public Life (Nolan Principles) has improved in recent years; focus is required to ensure the principles continue to be understood. New starter employee induction provides an opportunity to hear about the relevance of the Nolan Principles in the context of delivering the Corporate Plan and aligned to the organisation's behaviours. This is held bi-monthly and open to all new starters, those returning to the organisation as well as anyone else who wishes to attend. Managers across the organisation reported positive awareness by employees of the organisation's corporate behaviours. The organisation has a database of its policies (I4P) which is accessible to employees. This is used to disseminate new and updated policies, encompassing the ability to monitor acceptance rates, and to act as a source of reference for employees. Acceptance rates of organisational policies have improved; however, continued focussed attention will be required, during 2023/24, to ensure all key policies are read and accepted by employees, and there is greater clarity as to what constitutes a key corporate policy. A number of policies are also overdue review and update, and this will need to be addressed in 2023/24. Legal advice is sought where required; no legal challenges were received in the year. The Gifts, Hospitality and Declarations of Interest Procedure was reviewed in November 2020 and issued to employees via I4P. This is also held on the corporate intranet (OnePlace), along with the declaration forms, and an annual reminder is sent to employees to complete declarations. There is a defined programme of corporate mandatory e-learning which was updated in February 2023 to include Fire Safety. All employees are required to complete the following courses upon joining the organisation: Health and Safety Introduction, Cyber Crime, Equality in the Workplace, Fraud Awareness, Fire Safety, Introduction to the General Data Protection Regulation (GDPR) and Freedom of Information (FOI). GDPR and FOI are required to be refreshed every two years. Completion rates have been updated monthly since the end of March 2023 and shared with Directorate areas. Completion rates for e-learning across the organisation have improved; however, focussed attention will be required, during 2023/24, to ensure all necessary e-learning is completed. The quality of, and compliance with, Equality Impact Assessment obligations have continued to improve during the year with the appointment of a Lead Officer in this area and publication of guidance to assist officers. This will continue to be an area of attention in 2023/24.

Core Principle B: Ensuring openness and comprehensive stakeholder engagement

Effective mechanisms are in place for engaging with, and consulting with, relevant stakeholders, and this continues to develop.

Teams across the organisation engage stakeholders regularly and early, including through the regular schedule of meetings with Growth Directors (fortnightly), Portfolio Holders (quarterly), Chief Executives (fortnightly), Leaders and Mayors (fortnightly) and external stakeholders more broadly. Delivery Boards are officer groups in place across all Combined Authority areas of delivery, and these have met monthly during the year, supporting decision-making on key projects.

There has also been extensive stakeholder engagement on UK Shared Prosperity Fund – a Local Growth Partnership which had 30 stakeholders from across the city region, including the voluntary sector, universities, Local Authorities and chambers.

The business case for the Liverpool City Region Freeport (for which the Combined Authority is the accountable body) was approved by government in December 2022. The organisation is working collaboratively and in partnership with Local Authorities to deliver the benefits that Freeports will bring and are consulting a variety of stakeholders throughout this process to ensure that social value, inclusive growth, and zero-carbon obligations are reflected as the Freeports programme evolves. This links to the announcement in the Chancellor's Budget that the Liverpool City Region has been designated as an Investment Zone.

During the year, plans for bus reform continued, with the external review of the business case, and approval by the Combined Authority to progress to statutory consultation with communities and passengers. The consultation will take place early in 2023/24.

An extensive consultation on the Local Transport Plan Vision and Goals document commenced in May 2022 and ran until the Autumn. This included open consultation on the website together with more targeted communications and interviews with people living in each area across the City Region including targeted contact with young people, older people, and people living with dementia. Further consultation on the Local Transport Plan itself will follow in Autumn 2023.

There has been extensive stakeholder engagement on the Five-Year Climate Action Plan, which sets definitive actions for the period 2023-28 for the Combined Authority to help deliver its 2040 net zero carbon target. At an early stage of development, workshops were conducted with a wide range of stakeholders, which informed a number of initial actions for the Action Plan. The document has been shared with the Portfolio Holder and relevant Portfolio Boards at various stages of development.

A key consultation is with the Liverpool City Region Climate Partnership; a group established by the Mayor which includes Local Authority climate change officers, the academic community, environmental organisations, statutory bodies, third sector and faith community representatives as well as a number of young people representing the student community.

The engagement has generated over 700 valuable comments of feedback on the working document, all of which have been logged, considered and where appropriate incorporated into the Plan.

Arrangements for partnership working have improved during the year, and the focus on the need for reporting on outcomes and documenting agreements will continue to develop in 2023/24.

To achieve the commitments set out in the Combined Authority's Equality Strategy, the Portfolio Holders for Equality, Diversity, and Inclusion established four new Equality Panels. The panels cover gender, race, disability and LGBTIQA. The Panels were launched in January 2023, and reflect the diversity of the City Region, with broad representation across protected characteristics and localities. Community organisations have been commissioned to facilitate panel meetings and act as the conduit between the Combined Authority and the Panels to ensure impartiality. The aims of the Equality Panels are to:

- Champion the Liverpool City Region's cultural heritage and history of community inclusion and social justice
- Advise the Combined Authority on the equality impacts of the Combined Authority's policies, projects and programmes
- Constructively challenge political and system leaders to tackle prejudice and discrimination and promote equality of opportunity
- Proactively support the Combined Authority and partners across the public, private and third sector to increase equality and develop effective solutions to tackling inequality.

The Overview and Scrutiny Committee has operated during the year. Most of its meetings have been inquorate and officers and members are taking action to attempt to address this. Inquoracy of this committee is in common with other Combined Authority areas and is attributed to the high attendance threshold required. Representations are also being made to government. Despite this, the meetings have taken place with issues being debated and the Mayor briefing these councillors and taking questions in the public forum. This has provided additional assurance in scrutinising decisions of the Combined Authority.

Regular briefings are held with Members, in addition to Member development sessions. Member queries are responded to within an appropriate timescale. Minutes of relevant meetings are made available to stakeholders; and evidence and rationale to support decisions is made available to stakeholders. Boards are also in place for each Member Portfolio to develop member engagement and input to the achievement of the corporate priorities.

Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Relevant financial, social, and environmental considerations have to be included within Committee reports. Reporting key aspects of organisational performance to Members has also continued during the course of the year. The revised timetable for reports that has been introduced focuses the author's mind upon each of these key areas.

The Liverpool City Region National Local Governance Assurance Framework was updated and approved in January 2022. The aim of the Assurance Framework is to set out how the Combined Authority and LEP make use of public funds, in a way that achieves value for money and inclusive growth for the Liverpool City Region. It also aspires to improve transparency of decision making in pursuit of these aims, ensuring accountability for activities and spending, both to HM Government as well as residents of the City Region. Supporting the Assurance Framework is an Investment Strategy, which was published in September 2020 and provides detailed information relating to the Strategic Investment Fund (SIF). The SIF's purpose is to invest in "good growth" – growth that supports the economic development ambitions for the Liverpool City Region that is both socially inclusive and environmentally responsible. A further review of the Investment Strategy and Assurance Framework are underway and are expected to be completed during 2023/24.

Employees have an awareness of the Corporate Plan and the role that each area plays in achieving its priorities and why this is important to the residents of the City Region. This is particularly the case with the commitments to zero carbon targets, social value, and broader equalities duties.

The Combined Authority has continued to invest significant resources in capacity and training in its Race Equality Programme, which provides resources and support to increasing diversity and removing barriers to employment.

A Net Zero Carbon Delivery Board, comprised of officers, has been established to monitor progress and ensure that zero carbon objectives are reflected throughout the broadest range of Combined Authority activity. A five-year detailed action plan for reaching net zero carbon was being developed during the year, and implementation of the action plan in relation to achieving the City Region's net zero carbon target for those aspects directly delivered or commissioned by the organisation will commence in 2023/24.

Work on the Tidal Energy project has continued, and significant progress has been made towards the City Region's ambition for sustainable hydrogen fuel technology both in terms of the investment strategy and also in direct procurement. The City Region commissioned the production of hydrogen-powered buses during 2022/23 and these will be placed into service early in 2023/24.

The roll-out of new trains commenced during the year, and the first train came into operation in January 2023, marking a significant milestone in this landmark project.

The Combined Authority has also dedicated significant resources to Social Value responsibilities in 2022/23, with the appointment of a Social Value lead and implementation of the Social Value Framework and portal. Work must continue in 2023/24 to ensure that the benefits of this approach are focused and measurable.

The integration of social and environmental considerations into broader aspects of Combined Authority activity is demonstrated by the work undertaken on the Freeports submission which as well as encompassing commercial and economic analysis has also included social value, zero carbon and fairer charging controls within the Full Business Case submission to government. The Business Case was approved in December 2022 and work in ongoing to embed these principles into the Freeports delivery model. Further work will be necessary in 2023/24 on governance and processes and the integration into the Combined Authority prior to the model becoming operational in 2024/25.

Core Principle D: Determining the interventions necessary to optimise the achievement of intended outcomes

Further strengthening of evidence-based policymaking has occurred during the year and training and workshops on risk took place to ensure that the organisation has a greater understanding of implications and risks associated with decision-making. Risk and financial implications are considered as part of the decision-making process. This has strengthened during the year with the launch of new Committee report template, which supports transparency and consistency.

Risk management has continued to strengthen and embed into the organisation. A Corporate Risk Register is in place which is regularly reviewed. The Risk Group continues to support the process; and significant progress has been made in establishing Service Risk Registers across the organisation, although further development is required to ensure risk management is embedded across the organisation.

Key aspects of performance within each directorate are reported upon.

The Combined Authority progressed its preferred option for bus reform during the year. During the 2024/25, the organisation will use the outcomes from the statutory consultation to begin to shape the delivery options for a franchise model of bus governance for the City Region. There are further key decisions for the Combined Authority to take during the year in progressing with the model.

The Combined Authority uses its influence effectively to support its constituent Local Authorities to deliver for the City Region, by drawing in capacity and resources to work collaboratively.

Core Principle E: Developing capacity and capability

Capacity continues to be developed across the Combined Authority with particular focus on accelerating delivery. Allied to this, an area of continued focus in 2022/23 was the work supporting each constituent Local Authority in its capacity to deliver.

Having a pipeline of schemes and the organisational capacity to deliver continues to be critical to the Combined Authority's ability to deliver its obligations under its Devolution Deal. In particular, the successful bid for City Region Sustainable Transport Settlement funding in 2021/22 was seen as vindication from government of the strength of the pipeline and the underpinning delivery arrangements. Ensuring that the Combined Authority and constituent Local Authorities have the capacity to deliver this continues to be a key priority.

A constant challenge is that while capital funding is available, the revenue funding needed to manage this is limited.

The Developing Our Organisation programme was completed during the year covering the following key areas:

- Leadership and management development
- New ways of working
- Our people
- Employee engagement
- Stakeholder engagement
- Equality and diversity inclusion
- Managing performance and delivery

It was formally closed in November 2022 and remaining work taken forward through the new People Strategy and "In Shape To Deliver" - the Combined Authority's internal Business Transformation programme.

During the year there has been a continued focus on training and development of senior leaders and managers via the Leadership Development Programme, and there have been meetings of the Collaborative Leadership Team to continue to embed the learning from the training and build collective and accountable leadership. A Team Leader Development Programme has also been established for all team leaders and front-line managers to participate in to develop their leadership and management skills.

The Leadership Charter and People Strategy have been established to support workforce development.

Following the Employee Survey and Pulse Survey conducted in 2021/22, actions have been progressed to address the findings. The next survey will take place in April 2023.and further action plans will be produced as a result of the findings. The surveys are facilitated by an external provider, which enables comparison and benchmarking with other organisations.

Individual Performance Plan discussions (IPPs) are undertaken annually, and these identify training needs. Training needs identified as a result of the IPP process are not always addressed in a timely manner, and this will be a priority in 2023/24. Management information is being provided to the Executive Leadership Team on the completion of such training.

Regular management team meetings; 1-2-1s; and team meetings take place.

Members received appropriate training and they are briefed before meetings.

Steps have continued to be taken by the organisation to maintain the health, safety, and wellbeing of its employees. New ways of working have been adopted; and DSE risk assessments are completed for home and office working.

It has been identified that some job descriptions are not up to date, these will be subject to review in 2023/24 and annually as part of the IPP process.

Core Principle F: Managing risks and performance through robust internal control and strong public financial management

Schemes of delegation are in place; delegated decisions are completed when appropriate; and authorised limits are adhered to by signatories.

There has been continued investment in risk management during the year and systems are becoming embedded. This has been led by the Executive Leadership Team and reflected in a fully updated Corporate Risk Register, reviewed regularly and much greater understanding of risk at all levels. The risks outlined in the Corporate Risk Register, are strategic in nature, rather than operational; and therefore, have the greatest potential to prevent or frustrate the achievement of Corporate Plan priorities.

The Risk Management Policy was reviewed and updated during the year to clearly define roles and responsibilities and provide greater guidance to officers. At a corporate level, evidence is available to confirm these roles and responsibilities are now becoming embedded.

Risk should be on the agenda as part of all reports presented to committees, and this is developing positively. The template report format includes a 'Risks and Mitigation' section for completion. A document entitled: "Guidance for Report Authors – Risk and Mitigation Section" produced by the Head of Internal Audit is available to support the effectiveness of the information included within Committee reports. The risk information presented within reports is reviewed by the Risk Manager to ensure robustness of content.

Significant progress has been made to ensure the availability of service risk registers; however, work is still required to ensure that up to date and risk registers are available for every service area and project, and that the content of each register meets minimum expectations and is reviewed on a regular basis.

Fraud awareness training is available as an e-learning package, which has been completed by 82% of employees, and an appropriate Fraud, Bribery and Corruption Strategy is in place alongside supporting policies, including in respect of whistleblowing. However, completion of the training, and employee understanding of fraud responsibilities remains an area of focus for 2023/24.

Fraud risk assessment sessions were delivered during the year as part of an awareness campaign for International Fraud Awareness Week 2022.

During the year, a self-assessment against the CIPFA *Code of Practice on Managing the Risk of Fraud and Corruption in Local Government* 2014 was undertaken. The self-assessment indicated 82% compliance with its requirements – which means that the organisation is meeting the standard set out in the guidance. One of the main areas of focus arising from the assessment in the coming year is the need for the organisation to identify and assess its fraud risks and ensure that appropriate measures are in place to manage these risks.

Whilst significant progress has been made, further steps are required to ensure employees have read and accepted relevant corporate policies and completed relevant e-learning.

A self-assessment was undertaken in relation to the role of the Chief Financial Officer in Local Government reviewing assurance over compliance with the governance requirements detailed in CIPFA document ‘The Role of the Chief Financial Officer in Local Government’ 2016. The positive responses provided highlighted that key controls have operated effectively during the course of the year. Compliance with the Financial Management Code (CIPFA, 2019) is being worked towards, and will continue in 2023/24.

A self-assessment has been undertaken in relation to the role of Senior Information Risk Owner (SIRO) reviewing assurance over compliance with the governance requirements detailed in Local Public Services Data Handling Guidelines 5th Edition, April 2018. Proactive steps are being taken to further strengthen arrangements across the organisation.

There was a small number of data breaches reported during the course of the year, but none were reportable to the Office of the Information Commissioner. Managers have reported continued progress in employee awareness of how to report a data breach, should it be required, in accordance with the Information Security Incident Management Protocol.

Managers across the organisation highlighted that team members are given the opportunity, on a regular basis, to raise and/or discuss matters relating to Health, Safety and Wellbeing.

Robust Health and Safety Risk Assessments are not yet in place for a small minority of service areas and will therefore be a focus for attention during 2023/24.

Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Combined Authority follows good practice in providing clear and accurate information and has developed its reporting profile and its online presence with transparency in mind.

Mechanisms are in place within service areas to ensure relevant and appropriate documentation is made available to stakeholders.

Whilst steps are taken to monitor customer complaints or other feedback and use this to inform the provision of services, there are areas of feedback that are not being captured and reflected fully, and improvement work in this area is underway.

The Combined Authority publishes its freedom of information requests and responses on its website. Work has been undertaken to provide as much information as possible on the Combined Authority website to reduce Freedom of Information (FOI) requests. All FOI requests during the year were responded to within statutory deadlines.

The Combined Authority's Audit and Governance Committee met regularly during the year, providing scrutiny of matters relating to internal control, risk management, governance and financial management across the organisation. The Committee took on a broader role during the year, to encompass Merseytravel, and provide a coherent review of these matters across the organisation.

During the year steps have been taken to ensure that outstanding Internal Audit recommendations are implemented, and improvements have been evident, although there is room for further development. A continued improvement in engagement in Internal Audit work has been evident, supported by regular presentations to the Executive and Senior Leadership Teams on work undertaken, outcomes and recommendation progress.

A self-assessment has been undertaken in relation to compliance with the governance requirements detailed in CIPFA document 'The role of the Head of Internal Audit in Public Sector Organisations' (2019). The positive responses provided highlighted that key controls have operated effectively during the course of the year. The service continues to comply with the Public Sector Internal Audit Standards.

The Head of Internal Audit's opinion for 2022/23 was that the Combined Authority's arrangements for internal control, risk management and governance are adequate and that the capacity for improvement is good.

An area for continued focus during 2023/24 is in relation to maintaining, developing, and testing business continuity arrangements, and ensuring Business Continuity Plans are updated to include changes in the organisation and the outcomes of testing exercises. It will be a continued focus for 2023/24 that all employees are aware of cybercrime risk via completing the relevant training.

6. EVALUATION/UPDATE – SIGNIFICANT GOVERNANCE ISSUES FROM AGS 2021/22

No significant governance issues were reported in 2021/22.

7. SIGNIFICANT GOVERNANCE ISSUES

This Annual Governance Statement identifies that the Combined Authority has effective arrangements in place; however, the organisation realises the need to monitor its governance arrangements on an ongoing basis given the ever-changing environment within which it operates, and due to the organisation continuing to evolve.

Whilst the organisation has not identified any Significant Governance Issues, a number of areas for development and focus have been outlined within the table above and appropriate action is being taken to ensure the issue does not transpire in to one of significance.

8. FUTURE GOVERNANCE CHALLENGES

The governance challenges that the organisation will address in 2023/24 include:

- Understanding the implications for the Combined Authority of the English Devolution Accountability Framework, published by government in March 2023. This framework is an extension of the broader Local Government Accountability Framework and sets out how organisations with devolved powers such as Mayoral Combined Authorities will be scrutinised and held to account. The Local Government Accountability Framework is continuing to evolve and 2023 will see the introduction of the Office for Local Government (Oflog).

- Developing the organisation's systems and processes around its employees, including ensuring role descriptions are regularly reviewed, mandatory training is completed, and policies are read and understood.

- Continuing the significant internal business transformation work to develop modern and efficient systems to support the organisation in the future.

9. CONCLUSION

The Combined Authority is satisfied that appropriate governance arrangements are in place and that the governance arrangements in place in 2022/23 were appropriate to its resources and responsibilities in that year.

We propose, over the coming year, to take any necessary steps to address the issues highlighted within this Statement, to further enhance our governance arrangements.

The arrangements in place in 2022/23 continued to focus on ensuring that capacity and resources were put in place to support the wider Combined Authority functions while maintaining effective governance and delivery around the Combined Authority's core activities.

10. CERTIFICATION

Katherine Fairclough
Chief Executive

31 May 2023

Steve Rotheram
Mayor of the Liverpool City Region

31 May 2023

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE LIVERPOOL CITY REGION COMBINED AUTHORITY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (to be inserted on completion of the external audit)

LCRCA ACCOUNTS

GROUP MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Authority Group analysed into 'usable reserves' (i.e. those can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Authority Group's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to General Fund for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance movements in the year following those adjustments.

2022/23

	Usable Reserves £'000			Unusable Reserves £'000								
	General Fund Balance	Other Earmarked Reserves	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pension Reserve	Accum. Absences Account	Collection Fund Adjustment Account	Total Unusable Reserves	Total Group Reserves £'000	Group Share of Joint Venture £'000	Total Reserves £'000
As at 1st April 2022	**11,667**	**223,583**	**235,250**	**27,689**	**124,865**	**(77,462)**	**(796)**	**(292)**	**74,004**	**309,254**	**(827)**	**308,427**
Comprehensive Income and Expenditure Statement (CIES)	(34,786)	0	**(34,786)**	6,927	0	101,439	0	0	**108,366**	**73,580**	(1,356)	**72,223**
Adjustments to the revenue resources*												
Pensions costs	9,888	0	**9,888**	0	0	(9,888)	0	0	**(9,888)**	**0**	0	**0**
Holiday pay	10	0	**10**	0	0	0	(10)	0	**(10)**	**0**	0	**0**
Charges for depreciation and amortisation of non-current assets	15,817	0	**15,817**	0	(15,817)	0	0	0	**(15,817)**	**0**	0	**0**
Net gain or loss on sale of non-current assets	(2)	233	**232**	0	(232)	0	0	0	**(232)**	**0**	0	**0**
PPE Impairment	45	0	**45**	0	(45)	0	0	0	**(45)**	**0**	0	**0**
Revenue expenditure funded from capital under statute	211,978	0	**211,978**	0	(211,978)	0	0	0	**(211,978)**	**0**	0	**0**
Difference in precept income	(41)	0	**(41)**	0	0	0	0	41	**41**	**0**	0	**0**
Capital grants and contributions credited to the CIES	(167,970)	0	**(167,970)**	0	167,970	0	0	0	**167,970**	**0**	0	**0**
Total adjustments to revenue resources	**69,725**	**233**	**69,958**	**0**	**(60,102)**	**(9,888)**	**(10)**	**41**	**(69,958)**	**0**	**0**	**0**
Adjustments between revenue and capital resources:												
Statutory provision for the repayment of debt	(4,748)	0	**(4,748)**	0	4,748	0	0	0	**4,748**	**0**	0	**0**
Capital expenditure financed from revenue balances	(6,087)	0	**(6,087)**	0	6,087	0	0	0	**6,087**	**0**	0	**0**
Total adjustments between revenue and capital resources	**(10,835)**	**0**	**(10,835)**	**0**	**10,835**	**0**	**0**	**0**	**10,835**	**0**	**0**	**0**
Adjustments to capital resources												
Capital Receipts	0	3,745	**3,745**	0	(3,745)	0	0	0	**(3,745)**	**0**	0	**0**
Use of capital receipts to finance capital expenditure	0	(1,200)	**(1,200)**	0	1,200	0	0	0	**1,200**	**0**	0	**0**
Difference between fair value and historical cost depreciation	0	0	**0**	(919)	919	0	0	0	**0**	**0**	0	**0**
Total adjustments to capital resources	**0**	**2,545**	**2,545**	**(919)**	**(1,626)**	**0**	**0**	**0**	**(2,545)**	**0**	**0**	**0**
Transfer between reserves	(13,053)	11,509	**(1,544)**	0	1,544	0	0	0	**1,544**	**0**	0	**0**
Net Increase/(Decrease) in 2022/23	**11,049**	**14,287**	**25,336**	**6,008**	**(49,348)**	**91,551**	**(10)**	**41**	**48,243**	**73,580**	**(1,356)**	**72,223**
Balance as at 31st March 2023	**22,716**	**237,869**	**260,586**	**33,697**	**75,517**	**14,089**	**(806)**	**(251)**	**122,247**	**382,834**	**(2,183)**	**380,650**

*Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements

GROUP MOVEMENT IN RESERVES STATEMENT

2021/22

	Usable Reserves £'000			Unusable Reserves £'000								
	General Fund Balance	Other Earmarked Reserves	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pension Reserve	Accum. Absences Account	Collection Fund Adjustment Account	Total Unusable Reserves	Total Group Reserves £'000	Group Share of Joint Venture £'000	Total Reserves £'000
As at 1st April 2021	**7,365**	**220,523**	**227,888**	**28,563**	**120,081**	**(99,408)**	**(796)**	**(241)**	**48,199**	**276,087**	**0**	**276,087**
Comprehensive Income and Expenditure Statement (CIES)	2,382	0	**2,382**	0	0	30,785	0	0	**30,785**	**33,167**	(827)	**32,340**
Adjustments to the revenue resources*												
Pensions costs	8,839	0	**8,839**	0	0	(8,839)	0	0	**(8,839)**	**0**	0	**0**
Holiday pay	0	0	**0**	0	0	0	0	0	**0**	**0**	0	**0**
Charges for depreciation and amortisation of non-current assets	15,472	0	**15,472**	0	(15,472)	0	0	0	**(15,472)**	**0**	0	**0**
Net gain or loss on sale of non-current assets	(56)	246	**190**	0	(190)	0	0	0	**(190)**	**0**	0	**0**
Capital expenditure financed from revenue balances	0	0	**0**	0	0	0	0	0	**0**	**0**	0	**0**
Revenue expenditure funded from capital under statute	159,254	0	**159,254**	0	(159,254)	0	0	0	**(159,254)**	**0**	0	**0**
Difference in precept income	51	0	**51**	0	0	0	0	(51)	**(51)**	**0**	0	**0**
Capital grants and contributions credited to the CIES	(168,897)	0	**(168,897)**	0	168,897	0	0	0	**168,897**	**0**	0	**0**
Total adjustments to revenue resources	**14,663**	**246**	**14,909**	**0**	**(6,019)**	**(8,839)**	**0**	**(51)**	**(14,909)**	**0**	**0**	**0**
Adjustments between revenue and capital resources:												
Statutory provision for the repayment of debt	(2,283)	0	**(2,283)**	0	2,283	0	0	0	**2,283**	**0**	0	**0**
Capital expenditure financed from revenue balances	(4,819)	0	**(4,819)**	0	4,819	0	0	0	**4,819**	**0**	0	**0**
Total adjustments between revenue and capital resources	**(7,102)**	**0**	**(7,102)**	**0**	**7,102**	**0**	**0**	**0**	**7,102**	**0**	**0**	**0**
Adjustments to capital resources												
Capital Receipts	0	1,588	**1,588**	0	(1,588)	0	0	0	**(1,588)**	**0**	0	**0**
Use of capital receipts to finance capital expenditure	0	(246)	**(246)**	0	246	0	0	0	**246**	**0**	0	**0**
Difference between fair value and historical cost depreciation	0	0	**0**	(874)	874	0	0	0	**0**	**0**	0	**0**
Total adjustments to capital resources	**0**	**1,342**	**1,342**	**(874)**	**(468)**	**0**	**0**	**0**	**(1,342)**	**0**	**0**	**0**
Transfer between reserves	(5,641)	1,472	**(4,169)**	0	4,169	0	0	0	**4,169**	**0**	0	**0**
Net Increase/(Decrease) in 2021/22	**4,302**	**3,060**	**7,362**	**(874)**	**4,784**	**21,946**	**0**	**(51)**	**25,805**	**33,167**	**(827)**	**32,340**
Balance as at 31st March 2022	**11,667**	**223,583**	**235,250**	**27,689**	**124,865**	**(77,462)**	**(796)**	**(292)**	**74,004**	**309,254**	**(827)**	**308,427**

*Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements

SINGLE ENTITY MOVEMENT IN RESERVES STATEMENT

2022/23

	Usable Reserves £'000			Unusable Reserves £'000						
	General Fund Balance	Other Earmarked Reserves	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pension Reserve	Accum. Absences Account	Collection Fund Adjustment Account	Total Unusable Reserves	Total Reserves £'000
As at 1st April 2022	**7,114**	**168,597**	**175,712**	**327**	**(242,651)**	**(7,962)**	**(218)**	**(292)**	**(250,796)**	**(75,084)**
Comprehensive Income and Expenditure Statement (CIES)	**(59,775)**	**0**	**(59,775)**	**0**	**0**	**9,563**	**0**	0	**9,563**	**(50,212)**
Adjustments to the revenue resources*										
Pensions costs	3,083	0	**3,083**	0	0	(3,083)	0	0	**(3,083)**	**0**
Holiday pay	140	0	**140**	0	0	0	(140)	0	**(140)**	**0**
Charges for depreciation and amortisation of non-current assets	8,534	0	**8,534**	0	(8,534)	0	0	0	**(8,534)**	**0**
Net gain or loss on sale of non-current assets	(2)	233	**232**	0	(232)	0	0	0	**(232)**	**0**
Difference in precept income	(41)	0	**(41)**	0	0	0	0	41	**41**	**0**
Revenue expenditure funded from capital under statute	237,488	0	**237,488**	0	(237,488)	0	0	0	**(237,488)**	**0**
Capital grants and contributions credited to the CIES	(161,608)	0	**(161,608)**	0	161,608	0	0	0	**161,608**	**0**
Total adjustments to revenue resources	**87,593**	**233**	**87,827**	**0**	**(84,646)**	**(3,083)**	**(140)**	**41**	**(87,827)**	**0**
Adjustments between revenue and capital resources:										
Statutory provision for the repayment of debt	(4,748)	0	**(4,748)**	0	4,748	0	0	0	**4,748**	**0**
Capital expenditure financed from revenue balances	(6,087)	0	**(6,087)**	0	6,087	0	0	0	**6,087**	**0**
Total adjustments between revenue and capital resources	**(10,835)**	**0**	**(10,835)**	**0**	**10,835**	**0**	**0**	**0**	**10,835**	**0**
Adjustments to capital resources										
Capital Receipts	0	3,745	**3,745**	0	(3,745)	0	0	0	**(3,745)**	**0**
Use of capital receipts to finance capital expenditure	0	(1,200)	**(1,200)**	0	1,200	0	0	0	**1,200**	**0**
Difference between fair value and historical cost depreciation	0	0	**0**	(6)	6	0	0	0	**0**	**0**
Total adjustments to capital resources	**0**	**2,545**	**2,545**	**(6)**	**(2,539)**	**0**	**0**	**0**	**(2,545)**	**0**
Transfer between reserves	(9,593)	8,213	**(1,380)**	0	1,380	0	0	0	**1,380**	**0**
Net Increase/(Decrease) in 2022/23	**7,390**	**10,992**	**18,381**	**(6)**	**(74,969)**	**6,480**	**(140)**	**41**	**(68,593)**	**(50,212)**
Balance as at 31st March 2023	**14,505**	**179,588**	**194,093**	**320**	**(317,620)**	**(1,482)**	**(358)**	**(250)**	**(319,390)**	**(125,297)**

*Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements

SINGLE ENTITY MOVEMENT IN RESERVES STATEMENT

2021/22

	Usable Reserves £'000			Unusable Reserves £'000						
	General Fund Balance	Other Earmarked Reserves	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Pension Reserve	Accum. Absences Account	Collection Fund Adjustment Account	Total Unusable Reserves	Total Reserves £'000
As at 1st April 2021	**2,734**	**166,139**	**168,873**	**333**	**(174,040)**	**(7,345)**	**(218)**	**(241)**	**(181,511)**	**(12,638)**
Comprehensive Income and Expenditure Statement (CIES)	**(64,285)**	**0**	**(64,285)**	**0**	**0**	**1,838**	**0**	0	**1,838**	**(62,447)**
Adjustments to the revenue resources*										
Pensions costs	2,455	0	**2,455**	0	0	(2,455)	0	0	**(2,455)**	**0**
Holiday pay	0	0	**0**	0	0	0	0	0	**0**	**0**
Charges for depreciation and amortisation of non-current assets	10,380	0	**10,380**	0	(10,380)	0	0	0	**(10,380)**	**0**
Net gain or loss on sale of non-current assets	(56)	246	**190**	0	(190)	0	0	0	**(190)**	**0**
Difference in precept income	51	0	**51**	0	0	0	0	(51)	**(51)**	**0**
Revenue expenditure funded from capital under statute	226,455	0	**226,455**	0	(226,455)	0	0	0	**(226,455)**	**0**
Capital grants and contributions credited to the CIES	(158,479)	0	**(158,479)**	0	158,479	0	0	0	**158,479**	**0**
Total adjustments to revenue resources	**80,806**	**246**	**81,052**	**0**	**(78,546)**	**(2,455)**	**0**	**(51)**	**(81,052)**	**0**
Adjustments between revenue and capital resources:										
Statutory provision for the repayment of debt	(2,283)	0	**(2,283)**	0	2,283	0	0	0	**2,283**	**0**
Capital expenditure financed from revenue balances	(4,819)	0	**(4,819)**	0	4,819	0	0	0	**4,819**	**0**
Total adjustments between revenue and capital resources	**(7,102)**	**0**	**(7,102)**	**0**	**7,102**	**0**	**0**	**0**	**7,102**	**0**
Adjustments to capital resources										
Capital Receipts	0	1,588	**1,588**	0	(1,588)	0	0	0	**(1,588)**	**0**
Use of capital receipts to finance capital expenditure	0	(246)	**(246)**	0	246	0	0	0	**246**	**0**
Difference between fair value and historical cost depreciation	0	0	**0**	(6)	6	0	0	0	**0**	**0**
Total adjustments to capital resources	**0**	**1,342**	**1,342**	**(6)**	**(1,336)**	**0**	**0**	**0**	**(1,342)**	**0**
Transfer between reserves	(5,039)	870	**(4,169)**	0	4,169	0	0	0	**4,169**	**0**
Net Increase/(Decrease) in 2021/22	**4,380**	**2,458**	**6,838**	**(6)**	**(68,611)**	**(617)**	**0**	**(51)**	**(69,285)**	**(62,447)**
Balance as at 31st March 2022	**7,114**	**168,597**	**175,712**	**327**	**(242,651)**	**(7,962)**	**(218)**	**(292)**	**(250,796)**	**(75,084)**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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 taxation. Authorities raise taxation to cover expenditure in accordance with Regulations; this may be different from the accounting cost. The taxation position is shown in the MiRS.

2021/22 £'000				2022/23 £'000			Note
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**	
320,610	(231,255)	89,355	Place	348,435	(265,743)	82,692	
67,619	(63,915)	3,704	Investment & Delivery	81,050	(76,065)	4,985	
5,055	(1,083)	3,972	Policy, Strategy & Government Relations	7,185	(1,372)	5,813	
1,642	(544)	1,098	Corporate Services	5,131	(218)	4,912	
2,280	(515)	1,765	Corporate Development & Delivery	9,459	(216)	9,244	
6,914	(735)	6,179	Corporate Management & Corporate Costs	6,139	(2,248)	3,891	
173,752	(135,226)	38,526	SIF Payments to Partners	175,827	(120,243)	55,583	
577,872	**(433,273)**	**144,599**	**Net Cost of Services**	**633,225**	**(466,105)**	**167,120**	
		161	Other Operating Expenditure			185	7
		11,382	Financing and Investment Income			3,732	8
		(158,524)	Taxation and Non Specific Grant Income			(136,250)	10
		(2,382)	**(Surplus) or Deficit on the Provision of Services**			**34,786**	
		(30,785)	Remeasurement (Gains)/Losses on Pension Assets/Liabilities			(101,439)	9
		0	Surplus on Revaluation of Non Current Assets			(6,927)	
		827	Joint Venture accounted for on an Equity Basis			1,356	
		(29,958)	**Other Comprehensive Income and Expenditure**			**(107,010)**	
		(32,340)	**Total Comprehensive Income and Expenditure**			**(72,224)**	

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SINGLE ENTITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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 taxation. Authorities raise taxation to cover expenditure in accordance with Regulations; this may be different from the accounting cost. The taxation position is shown in the MiRS.

2021/22 £'000				2022/23 £'000			Note
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
190,934	(65,742)	125,192	Place	157,591	(50,489)	107,102	
67,801	(63,915)	3,886	Investment & Delivery	81,050	(76,065)	4,985	
5,997	(1,083)	4,914	Policy, Strategy & Government Relations	7,185	(1,372)	5,813	
3,384	(627)	2,757	Corporate Services	5,131	(2,466)	2,664	
2,842	(515)	2,327	Corporate Development & Delivery	9,459	(4,836)	4,624	
6,914	(5,200)	1,714	Corporate Management & Corporate Costs	6,139	(2,248)	3,891	
221,607	(183,081)	38,526	SIF Payments to Partners	222,199	(166,616)	55,583	
499,479	**(320,162)**	**179,316**	**Net Cost of Services**	**488,753**	**(304,091)**	**184,662**	
		47	Other Operating Expenditure			62	7
		9,239	Financing and Investment Income			1,569	8
		(124,317)	Taxation and Non Specific Grant Income			(126,518)	10
		64,285	**(Surplus) or Deficit on the Provision of Services**			**59,775**	
		(1,838)	Remeasurement (Gains)/Losses on Pension Assets/Liabilities			(9,563)	9
		(1,838)	**Other Comprehensive Income and Expenditure**			**(9,563)**	
		62,447	**Total Comprehensive Income and Expenditure**			**50,212**	

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority Group. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority Group. 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 (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). 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 differences in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

2021/22 £'000			2022/23 £'000		
Group	**Single Entity**		**Group**	**Single Entity**	**Note**
653,968	261,186	Property, Plant and Equipment	684,642	260,031	17
1,161	450	Heritage Assets	1,161	450	19
4,148	3	Intangible Assets	4,072	50	18
3,102	4,008	Investment in Joint Venture	1,503	4,008	
0	0	Other long term Investments	3,367	3,367	
80,245	82,627	Long term Debtors	54,210	56,397	21
0	0	Pension Asset	14,088	0	9
742,624	**348,274**	**Long Term Assets**	**763,043**	**324,303**	
220,420	220,420	Short term Investments	237,635	237,635	27
977	26	Inventories	1,016	0	
30,279	17,663	Short term Debtors	34,062	20,878	22
68,774	68,653	Cash and Cash Equivalents	104,195	104,057	27
320,450	**306,762**	**Current Assets**	**376,908**	**362,570**	
(15,791)	(15,791)	Short term Borrowing	(15,423)	(15,423)	27
(126,948)	(184,946)	Short term Creditors	(159,952)	(218,497)	23
(11,012)	(10,469)	Provisions	(23,931)	(23,373)	26
(207,900)	(196,385)	Grant Receipts in Advance	(260,186)	(254,551)	11
(361,651)	**(407,591)**	**Current Liabilities**	**(459,492)**	**(511,844)**	
(2,012)	(1,046)	Long term Provisions	(2,012)	(1,046)	26
(307,821)	(307,821)	Long term Borrowing	(292,398)	(292,398)	27
(77,463)	(7,962)	Pension Liabillty	0	(1,482)	9
(5,700)	(5,700)	Other Long term Liabilities	(5,400)	(5,400)	25
(392,996)	**(322,529)**	**Long term Liabilities**	**(299,810)**	**(300,326)**	
308,427	**(75,084)**	**Net Assets/(Liabilities)**	**380,649**	**(125,297)**	
(235,250)	(175,712)	Usable Reserves	(260,586)	(194,093)	6
(74,004)	250,796	Ununsable Reserves	(122,246)	319,390	5
827	0	Usable Reserves of Joint Venture	2,183	0	
(308,427)	**75,084**	**Total Reserves**	**(380,649)**	**125,297**	

Katherine Fairclough

Chief Executive
31 May 2023

John Fogarty (CPFA)

Executive Director Corporate Services
31 May 2023

CASHFLOW STATEMENT

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 taxation and 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.

2021/22 £'000			2022/23 £'000		Note
Group	Single Entity		Group	Single Entity	
2,382	**(64,285)**	**Net surplus/(deficit) on the provision of services**	**(34,786)**	**(59,775)**	
61,035	50,020	Adjustments to net deficit on the provision of services for non-cash movements	120,236	113,102	29
(44,253)	(246)	Adjustments to net deficit on the provision of services for items which are investing and financing activities	(20,924)	(11,191)	29
19,163	**(14,511)**	**Net cash inflows from Operating Activities**	**64,526**	**42,136**	
(31,817)	1,770	Investing activities	(13,314)	9,059	29
(16,965)	(16,965)	Financing activities	(15,791)	(15,791)	29
(29,619)	**(29,706)**	**Net increase/(decrease) in cash and cash equivalents**	**35,421**	**35,404**	
98,393	98,359	Cash and cash equivalents as at 1 April	68,774	68,653	27
68,774	**68,653**	**Cash and cash equivalents as at 31 March**	**104,195**	**104,057**	

NOTES TO THE PRIMARY FINANCIAL STATEMENTS

1 Accounting Policies

General Principals

The Statement of Accounts summarises the Liverpool City Region Combined Authority's transactions for the financial year 2022/23 and its position as at 31 March 2023. The Authority is required to prepare an Annual Statement of Accounts in accordance with the Accounts and Audit (England) Regulations 2015, which require the accounts to be completed in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted by the statement is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Statement of Accounts has been completed on a going concern basis.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Agency Transactions

Transactions are excluded from the Authority's financial statements for all agency relationships. As stipulated by the Code, the Authority is acting as an agent in situations when the Authority does not control the specified goods or services being provided by another party before they are transferred to the customer. All services are reviewed to determine who controls the right to the underlying goods or services and when this is not deemed to be the Authority, the transactions have been excluded from the financial statements.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Changes in Accounting Policies, Estimations, Errors and Prior Period Adjustments

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the 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 prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible assets attributable to the service.

The Authority is not required to raise levy to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance (known as the Minimum Revenue Provision (MRP)). Depreciation, revaluation losses and amortisation are therefore replaced by the MRP in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits, or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits

Employees of the Authority are members of a Local Government Pensions Scheme, administered by Merseyside Pension Fund. This is a defined benefit pension scheme.

The liabilities of the Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.

The assets of Merseyside Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value.

The change in the net pension liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year. These costs are allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. The costs are debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined benefit liability, i.e. the change during the period in the net defined benefit liability that arises from the passage of time. The net interest is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Remeasurements comprising:

- The return on plan assets – (excluding amounts included in net interest above) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Employer's contributions paid to Merseyside Pension Fund – not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund Balance of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Fair Value Measurement

The Authority measures some of its non-financial assets such as surplus assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- In the principal market for the asset, or
- In the absence of a principal market, in the most advantageous market for the asset.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available making use of relevant observable inputs and minimising the use of unobservable inputs.

Financial Instruments

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where the Authority has made loans at less than market rates (soft loans) a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the lender, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. This is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains or losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Authority recognises expected credit losses on all its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

Impairment losses are calculated to reflect the expectation that future cash flows may not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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.

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

Heritage Assets

The Authority holds statues and artworks, which are held and maintained as a contribution to knowledge and culture.

Heritage assets are recognised and measured in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed where it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements. In these circumstances heritage assets are measured at historical cost (less any accumulated depreciation and impairment losses).

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. Intangible assets are measured at cost and the balance is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement on a straight-line basis. An asset is tested for impairment whenever there is an indication that the asset may be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement (CIES). Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. These entries are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Business combinations have been accounted for under IFRS 3 using the purchase method. Any excess over 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 initially recognised in the Comprehensive Income and Expenditure Statement 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.

Interests in Companies and Other Entities

The Authority has material interests in companies and other entities which require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded at cost, less any impairments.

Inclusion in the Authority Group is dependent upon the extent of the Authority's interest and power to influence an entity. An assessment of all the Authority's interests is carried out each financial year to determine the relationships that exist and whether they should be included within the Authority's group accounts.

This assessment determines whether the entity is accounted for as:

- A subsidiary – the Authority controls the entity and has the power to govern its financial and operating policies so as to benefit from its activities; or
- An associate – the Authority has significant influence over the entity and has the power to participate in its financial and operating policies; or
- Joint Operations – the Authority is party to the contractually and binding agreed sharing of control over the organisation such that strategic financial and operating decisions require the unanimous consent of all parties sharing control.

Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value determined on a first in first out basis.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

Leases

Leases are classed as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial indirect costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant, and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this shorter than the asset's estimated useful life.

Statutory requirements mean that depreciation, revaluations and impairment losses are not a proper charge against the General Fund Balance. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant and equipment the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal(i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor; and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where the amount due in relation the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against the levy, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads and Support Services

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 appropriate methods.

Property Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as 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 the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price; and
- 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.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure assets – modified form of depreciated historical cost with new expenditure added to the brought forward balance and depreciation deducted. The authority has determined in accordance with Regulation [30M England or 24L Wales] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the replaced parts are generally assumed to have been fully depreciated and their derecognition requires no adjustment to the carrying (or net) amount. In accordance with the temporary relief offered by the Update to the Code on infrastructure assets these financial statements do not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.
- Assets under construction – depreciated historical cost;
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; and
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:
- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation on all Property, Plant and Equipment assets is calculated by allocating the asset value over the period expected to benefit from their use on a straight-line basis. All assets are assessed individually in relation to their asset lives for the purpose of calculating depreciation. Conditions relative to each asset are considered in arriving at this determination.

Where an item of property, plant and equipment asset has major component whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposal and Non- Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the Capital Financing Requirement England and Wales). Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the levy, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are shown in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of levy.

Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Critical Judgements

In applying account policies set out in Note 1, the Authority had to make certain judgements about complex transaction or those involving uncertainty about future events, the critical judgements made in statements of accounts are:

- The CA and Merseytravel have examined all its significant lease agreements to establish whether these should be classed as operating or finance leases. Where the application of IAS 17 does not provide a definitive solution, judgement is applied in determining whether the lease is operating or financial. Based on this assessment all Merseytravel's leases have been assessed to be operating.

- Group accounts: The Authority has a number of interests in other entities which fall within the group boundary. Whilst some of these are deemed to be material and are therefore consolidated into group accounts, others are considered not sufficiently material to warrant full group account disclosures. To ensure there is sufficient visibility on these arrangements, narrative disclosures on these arrangements are included within Note 16.

3. Estimation and Uncertainty

The statement of accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates.

The items in the Authority's Balance Sheet at 31st March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Pension benefits: the cost of defined benefit pension plans is determined using an 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 are each period end and determined jointly between the pension fund management and the actuaries. Details can be found within Note 9.

- Property revaluation: the LCRCA carries its non-infrastructure land and buildings at current value. Periodically, external surveyors are used, and the most recent full independent valuation was carried out as at 31 March 2019. Between independent surveys, desk top based annual reviews are carried out by qualified surveyors. Such valuations and any attached estimates are subject to some judgement. The carrying value of land and buildings at 31st March 2023 was £88.4m. In the 2022/23 financial year an estimate of the movement in values was calculated making use of indices which were provided by the external valuers. These estimates indicated a material movement and therefore have been applied to the Authority's property portfolio in the 2022/23 financial year. A full revaluation of all CA Group properties will take place in 2023/24 financial year.

- Impairment losses on financial assets: As at 31st March 2023 the Authority Group has £34.062m short term debtors and £54.210m long term debtors. The Authority recognises impairment losses on all of its financial assets held at amortised costs either on a 12 month or lifetime basis. Impairment losses are reviewed annually and calculated to reflect the expectation that future cashflows may not take place because the borrower could default on their obligations. At 31st March 2023 the expected credit loss on debtors was estimated to be £0.854m.

4. Accounting Standards Issued But Not Yet Adopted

As at the Balance Sheet date there are a number of accounting standards that have been published but not yet adopted by the Code.

i. IFRS 16 Leases.
ii. Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
iii. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

iv. Deferred Tax related to Assets and Liabilities arising from a Single Transactions (Amendments to IAS 12) issued in May 2021.
v. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

5. Unusable Reserves

2021/22 £'000			2022/23 £'000	
Group	**Single Entity**		**Group**	**Single Entity**
(27,689)	(327)	Revaluation Reserve	(33,696)	(320)
(124,865)	242,651	Capital Adjustment Account	(75,517)	317,620
77,462	7,962	Pension Reserve	(14,088)	1,482
796	218	Accumulating Absences Account	805	358
292	292	Collection Fund Adjustment Account	250	250
(74,004)	**250,796**	**Total**	**(122,246)**	**319,390**

The details of the movements in unusable reserves can be found in the Movement in Reserves Statement.

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its property, plant and equipment (and intangible assets). 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, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Capital Adjustment Account

The Capital Adjustment Account absorbs the 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 charged with the cost of acquisition, construction or enhancement, as depreciation, impairment losses and amortisations are charged to the Comprehensive 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 also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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 Group's 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 through Merseytravel makes employer's contributions to pensions funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore represents 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.

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
99,409	**7,345**	**Balance as at 1 April**	**77,463**	**7,962**
(30,785)	(1,838)	Remeasurements of the net defined benefit liability	(101,439)	(9,563)
14,337	3,725	Reversals of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	16,093	4,782
(5,498)	(1,270)	Employers pension contributions and direct payments to pensioners payable in the year	(6,205)	(1,699)
77,463	**7,962**	**Balance as at 31 March**	**(14,088)**	**1,482**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Revenue Reserve Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Revenue Reserves Balance is neutralised by transfers to or from the Account.

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
796	218	**Balance as at 1 April**	796	218
0	0	Settlement or cancellation of accrual made at the end of the preceding year	(796)	(218)
0	0	Amounts accrued at the end of the current year	805	358
796	**218**	**Balance as at 31 March**	**805**	**358**

The Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of the Authority's portion of council tax income and national non domestic rates income in the comprehensive income and expenditure statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts due to the Authority from Billing Authorities.

6. Usable and Earmarked Reserves

LCRCA Group - Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

	Balance 1 April 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance 31 March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance 31 March 2023 £'000
LCRCA Earmarked Reserves							
Infrastructure Reserve (a)	**(61,059)**	4,169	(5,243)	**(62,133)**	1,380	(14,094)	**(74,847)**
Capital Reserve (b)	**(24)**	0	0	**(24)**	0	0	**(24)**
Rail Financing Reserve (c)	**(39,704)**	204	0	**(39,500)**	5,501	0	**(33,999)**
Restructuring Reserve (d)	**(1,286)**	0	0	**(1,286)**	0	0	**(1,286)**
Grants/Contributions Unapplied Reserve (e)	**(14,273)**	0	0	**(14,273)**	0	0	**(14,273)**
Tunnels Reserve & Renewals Fund (f)	**(5,411)**	0	0	**(5,411)**	0	0	**(5,411)**
Chrysalis (g)	**(34,972)**	0	0	**(34,972)**	0	0	**(34,972)**
Capital Receipts (h)	**(9,410)**	246	(1,834)	**(10,998)**	967	(3,745)	**(13,776)**
Modernisation Fund (i)	**0**	0	0	**0**	0	(1,000)	**(1,000)**
Single Entity Earmarked Reserves	**(166,139)**	**4,619**	**(7,077)**	**(168,597)**	**7,848**	**(18,839)**	**(179,588)**
LCRCA General Fund (j)	**(2,734)**	0	(4,381)	**(7,115)**	0	(7,390)	**(14,505)**
Single Entity Total Usable Reserves	**(168,873)**	**4,619**	**(11,458)**	**(175,712)**	**7,848**	**(26,229)**	**(194,093)**
Merseytravel Group Earmarked Reserves (k)	**(54,386)**	**0**	**(602)**	**(54,988)**	**55**	**(3,348)**	**(58,281)**
Merseytravel Group General Fund (l)	**(4,629)**	0	0	**(4,629)**	0	(3,904)	**(8,533)**
Merseytravel Group Reserves	**(59,015)**	**0**	**(602)**	**(59,617)**	**55**	**(7,252)**	**(66,814)**
Total Group Earmarked Reserves	**(220,525)**	**4,619**	**(7,679)**	**(223,585)**	**7,903**	**(22,187)**	**(237,869)**
Total Group General Fund	**(7,363)**	**0**	**(4,302)**	**(11,665)**	**0**	**(11,052)**	**(22,717)**
Total Group Usable Reserves	**(227,888)**	**4,619**	**(11,981)**	**(235,250)**	**7,903**	**(33,239)**	**(260,586)**

(a) The infrastructure reserve has been created to support the strategic decisions of the LCRCA.

(b) The capital reserve is used to support the funding of the capital programme.

(c) The rail financing reserve has been created to support the delivery of a new rolling stock fleet.

(d) The restructuring reserve is utilised to provide support to staffing cost implications of service transformation programmes.

(e) The grants/contributions unapplied reserve represents capital grants that have been received but not yet utilised to support the delivery of the capital programme.

(f) The tunnels reserve and renewals fund is used to support the tunnel's capital programme. It is the LCRCA's policy that the tunnels reserve and renewals fund shall not be less than £2.5m. In the event that funds fall below the £2.5m threshold, budgetary provision in the following year will be made to restore the level to £2.5m.

(g) The Chrysalis reserve exists to earmark the funds that have been novated to the CA from the HCA/ EIB for use in accordance with the original terms of use.

(h) The capital receipts reserve holds the receipts from the sales of capital assets and the repayment of loans provided to third parties for borrowing for capital purposes. The capital receipts reserve may only be utilised for capital purposes.

(i) The Combined Authority has undertaken an ambitious transformation programme, In Shape to Deliver, which will look at modernising and reconfiguring services, exploiting digital technology to do things faster and more efficiently. To support the upstream costs associated with the programme, a modernisation reserve has been created in 2022/23 to cover the implementation costs over the next couple of years.

(j&l) The general funds are general balances held to protect the LCRCA's and Merseytravel's financial position from unforeseen events.

(k) Merseytravel Earmarked reserves are balances set aside for specific transport related activities.

7. Other Operating Expenditure

2021/22 £'000			2022/23 £'000	
Group	**Single Entity**		**Group**	**Single Entity**
161	47	Pension administration costs	185	62
161	**47**	**Total**	**185**	**62**

8. Financing and Investment Income

2021/22 £'000			2022/23 £'000	
Group	**Single Entity**		**Group**	**Single Entity**
8,711	427	Interest on Pension Liabilities	11,803	679
(6,675)	(280)	Pension Interest on Plan Assets	(9,721)	(480)
11,318	11,318	Interest Payable and Similar Charges	10,590	10,590
(2,384)	(2,597)	Investment Income	(8,852)	(9,220)
412	371	Expected Credit Loss	(89)	0
11,382	**9,239**	**Total**	**3,732**	**1,569**

9. Pensions

As part of the terms and conditions of employment of its officers, the Combined Authority and Merseytravel makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Combined Authority and Merseytravel has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

Both the Combined Authority and Merseytravel participates in Merseyside Pension Fund administered locally by Wirral Council – this is a funded defined benefit final salary scheme, meaning that Merseytravel and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Post Employment Benefits

The following transactions have been made in the Comprehensive Income and Expenditure Statement within the Surplus or Deficit on the Provision of Services to comply with the reporting requirements of IAS 19 in respect of defined benefits schemes.

2021/22 £'000			2022/23 £'000	
Group	**Single Entity**		**Group**	**Single Entity**
		Net Cost of Service		
12,140	3,531	Current service cost	13,821	4,521
0	0	Past service cost	5	0
		Other Operating Expenditure		
161	47	Administration expenses	185	62
		Financing and Investment Income		
2,036	147	Net interest expense	2,082	199
14,337	**3,725**	**Total Post Employment Benefits Charged to the CIES**	**16,093**	**4,782**

The following transactions are then recognised in the Movement in Reserves as adjustments between the accounting basis and funding basis under Regulation.

2021/22 £'000			2022/23 £'000	
Group	**Single Entity**		**Group**	**Single Entity**
(14,337)	(3,725)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(16,093)	(4,782)
5,498	1,270	Employers contribution payable to the Scheme	6,205	1,699
(8,839)	**(2,455)**	**Total**	**(9,888)**	**(3,083)**

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Merseytravel's obligation in respect of its defined benefit plans is as follows:

2021/22 £'000			2022/23 £'000	
Group	**Single Entity**		**Group**	**Single Entity**
(425,986)	(23,095)	Benefit obligation at the end of the period	(319,433)	(26,271)
348,523	15,133	Fair Value of plan assets at end of the period	333,521	24,789
(77,463)	**(7,962)**	**Surplus/(Deficit) as at 31 March**	**14,088**	**(1,482)**

Reconciliation of the movement in the Fair Value of Scheme (Plan) Assets

2021/22 £'000			2022/23 £'000	
Group	**Single Entity**		**Group**	**Single Entity**
319,471	11,618	Balance brought forward 31 March	348,523	15,133
6,675	280	Interest on plan assets	9,721	480
27,004	1,071	Remeasurements	(21,847)	5,223
(161)	(47)	Administration expenses	(185)	(62)
5,498	1,270	Employers contributions	6,205	1,699
2,299	708	Members contributions	2,654	954
(12,263)	233	Benefits/transfers paid	(11,550)	1,362
348,523	**15,133**	**Total**	**333,521**	**24,789**

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligations)

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
(418,880)	(18,963)	Balance brought forward 31 March	(425,986)	(23,095)
(12,140)	(3,531)	Current service cost	(13,821)	(4,521)
0	0	Past service cost	(5)	0
(8,711)	(427)	Interest on pension liabilities	(11,803)	(679)
(2,299)	(708)	Members contributions	(2,654)	(954)
3,781	767	Remeasurements (liabilities)	123,286	4,340
12,263	(233)	Benefits/transfers paid	11,550	(1,362)
(425,986)	**(23,095)**	**Total**	**(319,433)**	**(26,271)**

As at 31 March the assets comprised:

31 March 2022 £'000									31 March 2023 £'000							
Quoted		Unquoted		Total		% of total			Quoted		Unquoted		Total		% of total	
Group	Single Entity	Group	Single Entity	Group	Single Entity	Group	Single Entity	Single Entity	Group	Single Entity	Group	Single Entity	Group	Single Entity	Group	Single Entity
49,908	2,167	5,646	245	55,554	2,412	16	16	UK	46,795	3,479	3,869	288	50,664	3,767	15	15
75,839	3,293	37,222	1,616	113,061	4,909	32	32	Global	72,874	5,416	40,356	2,999	113,230	8,415	34	34
								Bonds								
0	0	0	0	0	0	0	0	Overseas Government	200	15	0	0	200	15	0	0
0	0	0	0	0	0	0	0	Collateralized Bonds	200	15	0	0	200	15	0	0
4,287	186	0	0	4,287	186	1	1	UK Government	3,702	275	0	0	3,702	275	1	1
11,640	505	0	0	11,640	505	3	3	UK Corporate	6,704	498	0	0	6,704	498	2	2
33,284	1,445	0	0	33,284	1,445	10	10	UK Indexed Linked (Gov)	27,349	2033	0	0	27,349	2,033	8	8
1,952	85	0	0	1,952	85	1	1	Overseas Corporate	1,701	126	0	0	1,701	126	1	1
0	0	(1,115)	(48)	(1,115)	(48)	0	(0)	Derivative Contracts	0	0	(1,834)	(136)	(1,834)	-136	(1)	(1)
								Property								
0	0	18,402	799	18,402	799	5	5	UK Direct Property	0	0	15,175	1,128	15,175	1,128	5	5
418	18	5,228	227	5,646	245	2	2	UK Managed Property	334	25	10,405	773	10,739	798	3	3
0	0	8,504	369	8,504	369	2	2	Global Managed Property	0	0	10,606	788	10,606	788	3	3
								Alternatives								
0	0	9,654	419	9,654	419	3	3	UK Private Equity	33	2	11,473	853	11,506	855	3	3
35	2	21,190	920	21,225	922	6	6	Global Private Equity	0	0	21,445	1,594	21,445	1,594	6	6
523	23	1,395	61	1,918	84	1	1	UK Other Alternatives	33	2	0	0	33	2	0	0
0	0	11,920	518	11,920	518	3	3	Global Other Alternatives	0	0	8,338	620	8,338	620	2	3
0	0	15,230	661	15,230	661	4	4	UK Infrastructure	0	0	18,310	1,361	18,310	1,361	5	5
0	0	10,177	442	10,177	442	3	3	Global Infrastructure	0	0	10,273	764	10,273	764	3	3
0	0	6,273	272	6,273	272	2	2	UK Private Credit	0	0	5,003	372	5,003	372	2	2
557	24	11,815	513	12,372	537	4	4	Global Private Credit	601	45	11,239	835	11,840	880	4	4
0	0	0	0	0	0	0	0	Global Multi Asset	0	0	1,200	89	1,200	89	0	0
								Cash								
0	0	8,539	371	8,539	371	2	2	Goodhart	0	0	1,401	104	1,401	104	0	0
0	0	0	0	0	0	0	0	Cash Instruments	5,736	426	0	0	5,736	426	2	2
178,443	**7,748**	**170,080**	**7,385**	**348,523**	**15,133**	**100**	**100**		**166,262**	**12,357**	**167,259**	**12,432**	**333,521**	**24,789**	**100**	**100**

Actuarial Assumptions

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme liabilities have been assessed by Mercers, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme. The main assumptions used in their calculations are detailed in the table below.

	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
	LCRCA		Merseytravel	
Base Assumptions				
Rate of CPI inflation	2.70%	3.20%	2.70%	3.40%
Rate of increase in salaries	4.20%	4.70%	4.20%	4.90%
Rate of increase in pensions	2.80%	3.30%	2.80%	3.50%
Discount Rate	4.70%	2.80%	4.80%	2.80%
Mortality Assumptions				
Life expectancy of male future pensioner aged 65 in 20 years' time	22.6	22.4	22.6	22.4
Life expectancy of female future pensioner aged 65 in 20 years' time	25.5	25.9	25.5	25.9
Life expectancy of male current pensioner aged 65	21.2	20.9	21.2	20.9
Life expectancy of female current pensioner aged 65	23.7	24.0	23.7	24.0

A sensitivity analysis has been provided by Mercers which provides an illustrative impact of marginal changes to the assumptions used in respect of the long-term discount rate, inflation and life expectancy. The results of this sensitivity analysis are detailed below.

Group Position

	Central	+0.5% p.a. discount rate	+0.25% p.a. inflation	+0.25% p.a. pay growth	1 year increase in life expectancy	+1% change in 22/23 investment returns	-1% change in 22/23 investment returns
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities	319,433	295,481	332,381	321,809	326,092	319,433	319,433
Assets	(333,521)	(333,521)	(333,521)	(333,521)	(333,521)	(336,843)	(330,199)
(Surplus)/ Deficit	(14,088)	(38,040)	(1,140)	(11,712)	(7,429)	(17,410)	(10,766)
Projected service cost next year	6,083	5,156	6,616	6,083	6,245	6,083	6,083
Projected net interest cost for next year	(814)	(2,166)	(184)	(691)	(486)	(974)	(655)

Single Entity Position

	Central	+0.5% p.a. discount rate	+0.25% p.a. inflation	+0.25% p.a. pay growth	1 year increase in life expectancy	+1% change in 22/23 investment returns	-1% change in 22/23 investment returns
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities	26,271	23,362	27,911	26,708	26,753	26,271	26,271
Assets	(24,789)	(24,789)	(24,789)	(24,789)	(24,789)	(25,057)	(24,521)
(Surplus)/ Deficit	1,482	(1,427)	3,122	1,919	1,964	1,214	1,750
Projected service cost next year	1,851	1,519	2,048	1,851	1,903	1,851	1,851
Projected net interest cost for next year	23	(126)	100	43	45	10	35

Impact on the Authority's Cashflows

The objectives of the scheme are to keep employer's contributions at as constant and affordable rate as possible. Merseyside Pension Fund has agreed a strategy with the scheme's actuary which was approved by the Pensions Committee in March 2017. Funding levels are monitored on an annual basis. The most recent triennial valuation took place in the financial year and rates applied from 1 April 2023.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or services after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Combined Authority and Merseytravel anticipate paying £5.739m in contributions to the scheme in 2023/24, £2.000m in relation to the Combined Authority Single Entity and £3.739m in relation to Merseytravel.

10. Grant Income

The following grants and contributions have been credited to the Comprehensive Income and Expenditure Statement during the period.

2021/22 £'000		Credited to Services	2022/23 £'000	
Group	Single Entity		Group	Single Entity
(42,031)	(37,743)	DfT Transport Grants	(62,688)	(54,217)
(40,984)	(38,984)	BEIS Gainshare	(25,246)	(25,246)
(7,652)	(7,652)	ERDF & ESF	(13,775)	(13,775)
(16,229)	(30,196)	Transforming Cities	(40,111)	(45,439)
(5,058)	(5,058)	Brownfield Fund	(5,996)	(5,996)
(55,936)	(55,936)	Adult Education Funding	(57,390)	(57,390)
(1,295)	(1,295)	Households into Work	(568)	(568)
(2,885)	(2,885)	Homelessness	(3,043)	(3,043)
(40,251)	(40,251)	Low Carbon	(40,282)	(38,495)
0	0	UK Shared Prosperity Fund	(1,271)	(1,271)
(99,132)	0	Special Rail Grant	(106,547)	0
(7,364)	0	REFCUS	(3,976)	0
(7,527)	(23,407)	Getting Building Fund	0	0
(25,201)	(25,201)	Additonal Restrictions Grant	0	0
(7,879)	(7,089)	Other Grants & Contributions	(5,505)	(4,779)
(359,424)	**(275,697)**	**Total**	**(366,398)**	**(250,219)**

2021/22 £'000		Credited to Taxation and Non Specific Grant Income	2022/23 £'000	
Group	Single Entity		Group	Single Entity
(97,404)	(97,404)	Transport Levy	(99,352)	(99,352)
(3,200)	(3,200)	Halton Differential Levy	(3,235)	(3,235)
(7,595)	(7,595)	Mayoral Precept	(7,973)	(7,973)
(1,000)	(1,000)	Mayoral Capacity Grant	(1,000)	(1,000)
(1,052)	0	MHCLG Sales, Fees & Charges Scheme	0	0
(4,020)	(4,020)	Gainshare Funding	(4,000)	(4,000)
(44,253)	(11,098)	Capital Grants	(20,691)	(10,958)
(158,524)	**(124,317)**	**Total**	**(136,250)**	**(126,518)**

11. Grant Receipts in Advance

The Authority Group has received a number of grants and contributions which have conditions attached to them. These have not yet been recognised as income and will only be credited to the comprehensive income and expenditure statement once all conditions are met. The balances at the year-end are as follows:

2021/22 £'000		Receipts in Advance	2022/23 £'000	
Group	Single Entity		Group	Single Entity
		Department for Transport		
0	0	CRSTS Funding	(98,679)	(98,679)
(11,705)	(11,705)	Emergency Active Travel Fund	(20,672)	(20,672)
(61,166)	(54,337)	Transforming Cities	(13,329)	(8,885)
(6,342)	(6,342)	Highways Maintenance	(6,342)	(6,342)
(7,630)	(7,630)	ITB Grant	(7,789)	(7,789)
(4,915)	(1,586)	DfT Other Grants	(2,795)	(1,821)
		Department for Levelling Up, Housing & Communities		
(17,942)	(17,942)	Brownfield Fund	(19,596)	(19,596)
0	0	English Devolution	(18,622)	(18,622)
(10,974)	(10,974)	Growing Places	(10,974)	(10,974)
(14,022)	(14,022)	Gainshare Revenue	(10,950)	(10,950)
0	0	UK Shared Prosperity Fund	(4,155)	(4,155)
(3,309)	(3,309)	DLUHC Other Grants	(2,360)	(2,360)
		Department for Business, Energy & Industrial Strategy		
(11,113)	(11,113)	Social Housing Decarbonisation Fund Wave 1	(6,352)	(6,352)
(22,945)	(22,945)	Sustainable Warmth - LAD3	(7,857)	(7,857)
(5,558)	(5,558)	Sustainable Warmth - Home Upgrade Grant	(4,476)	(4,476)
(14,689)	(14,689)	Green Homes	0	0
(2,723)	(2,723)	Energy Hub	(2,877)	(2,877)
(716)	(716)	BEIS Other Grants	(685)	(685)
		Department for Education		
(7,277)	(7,277)	Adult Education Funding	(10,355)	(10,355)
(2,366)	(2,366)	L3 Life Time Skills	(3,640)	(3,640)
0	0	Digital Skills - Bootcamps	(2,491)	(2,491)
0	0	DfE Other Grants	(2,256)	(2,256)
(2,508)	(1,151)	**Other Grants**	(2,934)	(2,717)
(207,900)	**(196,385)**	**Total**	**(260,186)**	**(254,551)**

12. Mayoral Costs

Included on the face of the CIES are the costs associated with the operation of the Mayor’s Office during 2022/23. The table below provides a further breakdown of these costs.

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
89	89	Mayoral Allowance	96	96
279	279	Mayoral Office & Political Support Staffing Costs	307	307
22	22	Non Staffing Costs	19	19
2,798	2,798	Net spend on Mayoral Priorities	4,052	4,052
3,188	**3,188**	**Total**	**4,474**	**4,474**

13. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by the Authority Group in comparison to those resources consumed or earned by the Authority Group in accordance with generally accepted accounting practices. It also shows how the expenditure is allocated between Services. Income and expenditure accounted for under generally accepted accounting practice is presented more fully in the Comprehensive Income and Expenditure Statement.

Group EFA

2021/22 £'000				2022/23 £'000		
Net Expenditure Chargeable to the General Fund	**Adjustments between funding and accounting basis**	**Net Expenditure in the CIES**		**Net Expenditure Chargeable to the General Fund**	**Adjustments between funding and accounting basis**	**Net Expenditure in the CIES**
12,524	76,832	89,355	Place	37,862	44,830	82,692
2,465	1,240	3,704	Investment & Delivery	3,279	1,706	4,985
3,512	460	3,972	Policy, Strategy & Government Relations	5,094	719	5,813
1,041	57	1,098	Corporate Services	4,720	193	4,912
1,568	198	1,765	Corporate Development & Delivery	9,244	0	9,244
6,004	175	6,179	Corporate Management & Corporate Costs	378	3,513	3,891
13,477	25,049	38,526	SIF Payments to Partners	7,158	48,425	55,583
40,591	**104,009**	**144,599**	**Net Cost of Services**	**67,734**	**99,386**	**167,120**
(47,952)	(99,028)	(146,980)	Other Income and Expenditure	(93,070)	(39,264)	(132,334)
(7,362)	**4,982**	**(2,382)**	**Surplus or deficit**	**(25,336)**	**60,122**	**34,786**
(227,888)			**Opening Balance 1 April**	(235,250)		
(7,362)			Surplus in Year	(25,336)		
(235,250)			**Closing Reserves at 31 March**	**(260,586)**		

Single Entity EFA

2021/22 £'000				2022/23 £'000		
Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the CIES		Net Expenditure Chargeable to the General Fund	Adjustments between funding and accounting basis	Net Expenditure in the CIES
71,982	53,210	125,192	Place	70,831	36,272	107,102
2,646	1,240	3,886	Investment & Delivery	3,279	1,706	4,985
4,454	460	4,914	Policy, Strategy & Government Relations	5,094	719	5,813
2,700	57	2,757	Corporate Services	2,472	193	2,664
2,129	198	2,327	Corporate Development & Delivery	4,624	0	4,624
1,539	175	1,714	Corporate Management & Corporate Costs	3,709	183	3,891
13,478	25,048	38,526	SIF Payments to Partners	7,158	48,425	55,583
98,928	**80,388**	**179,316**	**Net Cost of Services**	**97,165**	**87,497**	**184,662**
(105,766)	(9,265)	(115,031)	Other Income and Expenditure	(115,546)	(9,342)	(124,887)
(6,839)	**71,123**	**64,285**	**Surplus or deficit**	**(18,381)**	**78,156**	**59,775**
(168,873)			**Opening Balance 1 April**	(175,712)		
(6,839)			Surplus in Year	(18,381)		
(175,712)			**Closing Reserves at 31 March**	**(194,093)**		

Note to EFA 2022/23

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes		Net change for Pension Adjustments		Other Differences		Total Adjustments	
	Group £'000	Single Entity £'000	Group £'000	Single Entity £'000	Group £'000	Single Entity £'000	Group £'000	Single Entity £'000
Place	42,442	36,111	2,388	161	0	0	44,830	36,272
Investment & Delivery	0	0	1,706	1,706	0	0	1,706	1,706
Policy, Strategy & Government Relations	0	0	719	719	0	0	719	719
Corporate Services	0	0	193	193	0	0	193	193
Corporate Development & Delivery	0	0	0	0	0	0	0	0
Corporate Management & Corporate Costs	888	0	2,615	43	10	140	3,513	183
SIF Payments to Partners	48,425	48,425	0	0	0	0	48,425	48,425
Net Cost of Services	**91,755**	**84,536**	**7,621**	**2,822**	**10**	**140**	**99,386**	**87,497**
Other Income & Expenditure from the Funding Analysis	(41,490)	(9,561)	2,267	261	(41)	(41)	(39,264)	(9,342)
Difference between General Fund surplus or deficit and CIES surplus or deficit	**50,266**	**74,975**	**9,888**	**3,083**	**(32)**	**98**	**60,122**	**78,156**

Adjustments for capital purposes

This column adds in depreciation, impairment and revaluation gains and losses in the service line, adjusts for the statutory charge for Minimum Revenue Provision and other income contributions that are not chargeable under proper accounting practice.

Net Changes for Pension Adjustments

Net changes for the removal of pension contributions and additions of IAS 19 Employee Benefits pension related income and expenditure. For services this represents the removal of the employer pension contributions made by the Authority Group as allowed under statute and replaced with current service cost and past service cost. For financing and investment income this is the net interest on the defined benefit liability charged to the CIES.

Other Differences

These are the amounts debited or credited to the CIES and amounts payable/ receivable to be recognised under statute in respect of premiums and discounts and adjustments in respect of accumulating absences.

Note to EFA 2021/22

Adjustments from General Fund to arrive at the CIES	Adjustments for Capital Purposes		Net change for Pension Adjustments		Other Differences		Total Adjustments	
	Group £'000	Single Entity £'000	Group £'000	Single Entity £'000	Group £'000	Single Entity £'000	Group £'000	Single Entity £'000
Place	72,375	53,135	4,457	76	0	0	76,832	53,210
Investment & Delivery	(56)	(56)	1,296	1,296	0	0	1,240	1,240
Policy, Strategy & Government Relations	0	0	460	460	0	0	460	460
Corporate Services	0	0	57	57	0	0	57	57
Corporate Development & Delivery	0	0	198	198	0	0	198	198
Corporate Management & Corporate Costs	0	0	175	175	0	0	175	175
SIF Payments to Partners	25,049	25,048	0	0	0	0	25,049	25,048
Net Cost of Services	**97,367**	**78,127**	**6,642**	**2,261**	**0**	**0**	**104,009**	**80,388**
Other Income & Expenditure from the Funding Analysis	(101,276)	(9,510)	2,197	194	51	51	(99,028)	(9,265)
Difference between General Fund surplus or deficit and CIES surplus or deficit	**(3,908)**	**68,618**	**8,839**	**2,455**	**51**	**51**	**4,982**	**71,123**

Income and Expenditure Analysed by Type

2021/22 £'000			2022/23 £'000	
Group	**Single Entity**		**Group**	**Single Entity**
		Expenditure		
52,234	17,181	Employee benefits expenses	58,826	21,623
519,450	472,763	Other service expenses	570,443	452,296
15,472	10,380	Depreciation, amortisation, impairment	15,817	8,534
11,318	11,318	Interest payments	10,590	10,590
598,474	**511,642**	**Total expenditure**	**655,677**	**493,043**
		Income		
(80,524)	(44,746)	Fees, charges and other service income	(109,391)	(47,311)
(2,384)	(2,597)	Interest and investment income	(8,852)	(9,220)
(517,948)	(400,014)	Government grants and contributions	(502,648)	(376,737)
(600,856)	**(447,357)**	**Total Income**	**(620,891)**	**(433,268)**
(2,382)	**64,285**	**(Surplus) or deficit on the Provision of Services**	**34,786**	**59,775**

14. Officers' Remuneration

Senior Officers' Remuneration

The table below details the remuneration of the Executive Leadership Team.

		Group			Single Entity		
		Salary	Employers Pension Contribution	Total Remuneration	Salary	Employers Pension Contribution	Total Remuneration
		£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive - Katherine Fairclough	2022/23	188	26	214	188	26	214
	2021/22	138	19	157	138	19	157
Executive Director Place - Richard McGuckin (i)	2022/23	161	22	183	40	5	46
	2021/22	26	4	30	6	1	7
Executive Director Corporate Services (ii)	2022/23	133	18	151	66	9	75
	2021/22	131	18	149	65	9	74
Executive Director Corporate Development and Delivery (iii)	2022/23	98	16	114	49	8	57
	2021/22	103	17	120	51	8	59
Executive Director Investment and Delivery	2022/23	124	0	124	124	0	124
	2021/22	38	0	38	38	0	38
Executive Director Policy, Strategy and Government Relations	2022/23	128	17	146	128	17	146
	2021/22	122	17	139	122	17	139
Monitoring Officer (resigned 19 December 2022)	2022/23	83	11	94	83	11	94
	2021/22	105	14	119	105	14	119
Monitoring Officer (appointed 3 March 2023)	2022/23	8	2	10	8	2	10
	2021/22	0	0	0	0	0	0
Chief Executive & Director General (resigned 30 September 2021)	2022/23	0	0	0	0	0	0
	2021/22	106	18	123	53	9	62
Interim Director of Integrated Transport (resigned 31 March 2022)	2022/23	0	0	0	0	0	0
	2021/22	123	20	142	0	0	0

(i) The Executive Director Place incorporates the transport responsibilities associated with the Director General role of Merseytravel. Whilst a Combined Authority appointment, due to the significant transport responsibilities associated with this role, 75% of the salary and other remuneration is charged to Merseytravel with 25% remaining in the LCRCA single entity.

(ii) The Executive Director Corporate Services provides services for both the LCRCA and Merseytravel. The Executive Director Corporate Services is formally employed by LCRCA and Merseytravel is recharged 50% of the salary and other remuneration.

(iii) The Executive Director Corporate Development and Delivery provides services to both LCRCA and Merseytravel and as such the salary is split 50/50 across both entities.

Employee Remuneration

The number of employees (excluding directors) in receipt of remuneration for the year of £50,000 or more is detailed below. For the purpose of this note remuneration includes allowances, bonuses and severance pay but excludes employer pension contributions.

Remuneration Range	2021/22		2022/23	
	Group	Single Entity	Group	Single Entity
£50,000 to £54,999	43	19	55	29
£55,000 to £59,999	19	3	26	10
£60,000 to £64,999	23	6	25	8
£65,000 to £69,999	7	5	8	2
£70,000 to £74,999	7	3	5	4
£75,000 to £79,999	4	3	11	7
£80,000 to £84,999	1	1	4	3
£85,000 to £89,999	1	1	1	1
£90,000 to £94,999	4	3	3	3
£95,000 to £99,999	2	1	1	0
£100,000 to £104,999	3	1	2	0
£105,000 to £109,999	1	0	4	2
£110,000 to £114,999	0	0	1	1
£115,000 to £119,999	0	0	0	0
£120,000 to £124,999	0	0	1	0
£125,000 to £129,999	0	0	0	0
£130,000 to £134,999	0	0	0	0
£135,000 to £139,999	1	1	1	1
£140,000 to £144,999	1	0	1	0
Total	**117**	**47**	**149**	**71**

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Exit Packages

	No. of Compulsory Redundancies				No. of other Departures Agreed				Total No. of Exit Packages by Cost Band				Total Cost of Exit Packages in each Band			
	Group		Single Entity		Group		Single Entity		Group		Single Entity		Group		Single Entity	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
£0 - £20,000	0	0	0	0	4	4	1	1	4	4	1	1	24	24	7	6
£20,001 - £40,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
£100,001 -£150,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**4**	**4**	**1**	**1**	**4**	**4**	**1**	**1**	**24**	**24**	**7**	**6**

15. Audit Fees

The table below discloses the fees paid to the Group's external auditor, Mazars in respect of its external audit and inspection work for the LCRCA and Merseytravel. The Merseytravel subsidiary companies' external auditor is Langtons.

2021/22 £'000			2022/23 £'000	
Group	**Single Entity**		**Group**	**Single Entity**
51	51	External Audit fees in respect of LCRCA	45	45
44	0	External Audit fees in respect of Merseytravel	38	0
22	0	External Audit fees in respect of subsidiary companies	21	0
117	**51**	**Total**	**104**	**45**

16. Related Party Transactions

The Authority Group is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence or to be controlled or influenced by the Authority Group.

Central Government

Central Government has significant influence over the general operations of the Authority Group as it is responsible for providing the statutory framework within which the Authority Group operates. A significant body of the funding received by the Authority Group comes from Central Government, which provide the majority of the Authority Group's capital expenditure funding and Growth Deal funding provided as part of the Authority Group's devolution deal. In addition, the Authority Group receives the Special Rail Grant which is received by Merseytravel to support the operation of the local Merseyrail franchise.

Merseyside Local Authorities

The Leaders/Mayor of the Merseyside Local Authorities and Halton all serve as Members to the LCRCA which has direct control over the Authority Group financial and operating policies. Within their capacity as members of the Authority, in consultation with their respective local authorities, Members approve the level of the Transport Levy raised annually to support the transport functions of the Authority, the LCRCA budget and tunnel tolls.

The Authority Group operates a number of boards and committees below the Authority Group level, most notably the Transport, Overview and Scrutiny and Audit and Governance Committees. These are comprised of Elected Members from the constituent local authorities as nominated by their Leaders. During the year no works and services were commissioned from companies in which Members had an interest.

Details of income, expenditure and balance sheet balances are detailed below:

2021/22 £'000	Liverpool City Region Authorities	2022/23 £'000						
		Total	Halton	Knowsley	Liverpool	Sefton	St Helens	Wirral
(109,565)	Income	**(112,380)**	(4,027)	(11,681)	(37,668)	(20,894)	(13,610)	(24,501)
118,786	Expenditure	**129,309**	8,757	17,976	39,522	17,603	29,579	15,872
46	Debtors	**439**	126	25	70	176	26	16
(51,218)	Creditors	**(89,009)**	(6,751)	(15,700)	(24,737)	(7,639)	(25,260)	(8,923)
0	Short term loan	**40,000**	0	0	40,000	0	0	0
(9,153)	Borrowings	**(6,864)**	0	0	0	0	0	(6,864)

Entities controlled or significantly influenced by the Authority Group

Liverpool Growth Platform

The LCRCA nominate a majority of guarantors and the private/education/third sector provide a minority of guarantors through election at the LEP Board. The LCRCA does exercise control over the Growth Platform however the results have not been consolidated on the grounds of materiality. The net assets as at 31 March 2023 are £509k (£492k in 2021/22 updated to reflect audited accounts) and net surplus for the 2022/23 financial year is £17k (£97k surplus 2021/22 updated to reflect audited accounts).

LCRCA granted Liverpool Growth Platform a loan of £500k by agreement on 28 October 2020. This was a working capital float to maintain appropriate levels of liquidity as a result of delayed grant payments from other sources. As the results of Liverpool Growth Platform are not consolidated this loan is recognised as a long term debtor in the single entity and the group financial statements.

2021/22 £000's	Liverpool Growth Platform	2022/23 £000's
(131)	Income	(105)
1,512	Expenditure	3,296
500	Loan	500

LCR Digital

LCR Digital is a £30m joint venture, 50% owned by the Liverpool City Region Combined Authority, in partnership with Northwest based ITS Technology Group, who lead the project, working alongside construction partner NGE, who are managing the build and roll out of the network.

LCR Digital will help make the Liverpool City Region the most digitally connected area in the UK and ultimately lead to a £1 billion boost to the local economy. Work has now begun on a 212km full-fibre, gigabit-capable network infrastructure, capable of delivering speeds of 1,000mbps and beyond, that will help position the City Region at the head of the next digital revolution.

The net assets held as at 31 March 2023 are £3.601m (£6.361m 2021/22) with net losses of £2.740m (£1.674m 2021/22). The 2022/23 figures have been consolidated into the LCRCA group accounts. LCRCA granted LCR Digital a loan of £4m during 2022/23.

2021/22 £'000		LCR Digital	2022/23 £'000	
Group	Single Entity		Group	Single Entity
(78)	(156)	Income	(243)	(486)
827	0	Losses	1,356	0
3,102	4,008	Investments	1,503	4,008
5,267	5,267	Debtor - Loan	9,267	9,267
156	156	Debtor - Loan Interest	642	642

All entities within the group boundary are disclosed in Note 30.

17. <u>Property Plant and Equipment</u>

Movement on Group Balances 2022/23

		Other PPE							
	Infra'ure Assets	Freehold Property	Leasehold Property	Fixtures & Fittings Leasehold Property	Vehicles, Plant and Machinery	Surplus Assets	Assets Under Const'n	Other PPE Total	Total PPE
Cost or Valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 April 2022		**18,918**	**70,573**	**5,142**	**91,917**	**1,308**	**211,688**	**399,546**	
Additions	3,705	59	205	0	2,009	0	33,546	**35,819**	**39,524**
Revaluation inc/(dec) recognised in the Revaluation Reserve	0	(492)	14	0	0	0	0	**(478)**	**(478)**
Reclassification	0	0	0	0	28,992	0	(28,992)	**0**	**0**
Impairment	0	0	0	0	(45)	0	0	**(45)**	**(45)**
Derecognition disposals	0	0	0	0	(17)	0	(232)	**(249)**	**(249)**
As at 31 March 2023		**18,485**	**70,792**	**5,142**	**122,855**	**1,308**	**216,010**	**434,592**	
Depreciation and Impairment									
As at 1 April 2022		**1,246**	**4,446**	**1,379**	**9,591**	**3**	**0**	**16,665**	
Depreciation	8,639	640	1,960	197	4,064	1	0	**6,862**	**15,501**
Depreciation written out to the Reval Reserve	0	(1,726)	(5,679)	0	0	0	0	**(7,405)**	**(7,405)**
Disposals	0	0	0	0	(17)	0	0	**(17)**	**(17)**
As at 31 March 2023		**160**	**727**	**1,576**	**13,638**	**4**	**0**	**16,105**	
Net Book Value									
As at 31 March 2023	**266,153**	**18,325**	**70,065**	**3,566**	**109,218**	**1,304**	**216,010**	**418,488**	**684,642**
As at 31 March 2022	**271,087**	**17,672**	**66,127**	**3,763**	**82,326**	**1,305**	**211,688**	**382,881**	**653,969**

Movement on Group Balances 2021/22

	Infra'ure Assets	Other PPE: Freehold Property	Leasehold Property	Fixtures & Fittings Leasehold Property	Vehicles, Plant and Machinery	Surplus Assets	Assets Under Const'n	Other PPE Total	Total PPE
Cost or Valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 April 2021		**18,671**	**70,196**	**5,142**	**22,103**	**1,264**	**210,386**	**327,762**	
Additions	8,203	247	377	0	2,277	43	69,051	**71,995**	**80,198**
Derecognition disposals	0	0	0	0	(58)	0	(155)	**(213)**	**(213)**
Reclassification	0	0	0	0	67,594	0	(67,594)	**0**	**0**
As at 31 March 2022		**18,918**	**70,573**	**5,142**	**91,917**	**1,308**	**211,688**	**399,544**	
Depreciation and Impairment									
As at 1 April 2021		**617**	**2,500**	**1,182**	**7,713**	**2**	**0**	**12,014**	
Depreciation	10,543	629	1,946	197	1,901	1	0	**4,674**	**15,218**
Disposals	0	0	0	0	(23)	0	0	**(23)**	**(23)**
As at 31 March 2022		**1,246**	**4,446**	**1,379**	**9,591**	**3**	**0**	**16,665**	
Net Book Value									
As at 31 March 2022	**271,088**	**17,672**	**66,127**	**3,763**	**82,326**	**1,305**	**211,688**	**382,880**	**653,968**
As at 31 March 2021	**273,427**	**18,054**	**67,696**	**3,960**	**14,390**	**1,262**	**210,386**	**315,748**	**589,176**

Movement on Single Entity Balances 2022/23

	Infrastructure Assets	Other PPE: Freehold Property	Other PPE: Fixtures &Fittings Leasehold Property	Other PPE: Vehicles, Plant and Machinery	Other PPE: Surplus Assets	Other PPE: Assets Under Construction	Other PPE: Other PPE Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
As at 1 April 2022		**1,901**	**5,142**	**8,810**	**52**	**2,483**	**18,388**	
Additions	1,758	19	0	836	0	4,997	**5,852**	**7,610**
Transfers	0	0	0	0	0	0	**0**	**0**
Disposals	0	0	0	(7)	0	(232)	**(239)**	**(239)**
As at 31 March 2023		**1,920**	**5,142**	**9,639**	**52**	**7,248**	**24,001**	
Depreciation and Impairment								
As at 1 April 2022		**103**	**1,379**	**2,886**	**3**	**0**	**4,371**	
Depreciation	7,296	57	197	983	1	0	**1,238**	**8,534**
Disposals	0	0	0	(7)	0	0	**(7)**	**(7)**
As at 31 March 2023		**160**	**1,576**	**3,862**	**4**	**0**	**5,602**	
Net Book Value								
As at 31 March 2023	**241,632**	**1,760**	**3,566**	**5,777**	**48**	**7,248**	**18,399**	**260,031**
As at 31 March 2022	**247,170**	**1,798**	**3,763**	**5,924**	**49**	**2,483**	**14,016**	**261,186**

Movement on Single Entity Balances 2021/22

	Infrastructure Assets	Other PPE: Freehold Property	Other PPE: Fixtures &Fittings Leasehold Property	Other PPE: Vehicles, Plant and Machinery	Other PPE: Surplus Assets	Other PPE: Assets Under Construction	Other PPE: Other PPE Total	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
As at 1 April 2021		**1,900**	**5,142**	**6,918**	**52**	**2,568**	**16,580**	
Additions	1,263	1	0	1,950	0	70	**2,021**	**3,284**
Disposals	0	0	0	(58)	0	(155)	**(213)**	**(213)**
As at 31 March 2022		**1,901**	**5,142**	**8,810**	**52**	**2,483**	**18,388**	
Depreciation and Impairment								
As at 1 April 2021		**46**	**1,182**	**2,099**	**2**	**0**	**3,329**	
Depreciation	9,316	57	197	810	1	0	**1,065**	**10,381**
Disposals	0	0	0	(23)	0	0	**(23)**	**(23)**
As at 31 March 2022		**103**	**1,379**	**2,886**	**3**	**0**	**4,371**	
Net Book Value								
As at 31 March 2022	**247,170**	**1,798**	**3,763**	**5,924**	**49**	**2,483**	**14,016**	**261,186**
As at 31 March 2021	**255,223**	**1,854**	**3,960**	**4,819**	**50**	**2,568**	**13,250**	**268,473**

Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Infrastructure assets useful lives are determined on acquisition and considered thereafter as part of the annual impairment review. The current maximum useful life is 80 years.
- Freehold and Leasehold property useful lives are based on estimated remaining life as provided by the valuer as part of the valuation process. The maximum useful life in this category is 51 years.
- Vehicles, plant and machinery useful lives are determined on acquisition and considered thereafter as part of the annual impairment review. The current maximum useful life is 35 years.
- Vessels useful lives are based on estimated remaining life provided by the valuer as part of the valuation process. The maximum useful life in this category is 8 years.

Revaluations

The Authority has a valuation process which ensures that all property plant and equipment required to be measured at current value is revalued at least every five years. All valuations are carried out externally. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating the current values of property, plant and equipment are:

- That no deleterious material was used in the construction of any property and that none has been subsequently incorporated.
- That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good titles can be shown.

- That the properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that the use and occupation are both legal.
- That inspection of those parts which have not been inspected would not cause alteration to the opinion of value.
- No environmental assessment of the property (including its site) and neighbouring properties has been provided to or by the valuer and the valuer is not instructed to arrange consultants to investigate any matters with regard to flooding, contamination or the presence of radon gas or other hazardous substances.

Infrastructure assets, short life plant machinery and vehicles and assets under construction are carried at historical cost. The remaining categories of property, plant and equipment are carried at current value with the last full valuation being undertaken at 31 March 2019.

A full valuation exercise was undertaken at 31 March 2019. In the 2019/20 financial year a desktop valuation was undertaken on 70% by value of the property portfolio. The percentage increase arising from this valuation exercise was applied across the remainder of the portfolio as an estimate of the movement in property values in the financial year. In the 2022/23 financial year an estimate of the movement in values was calculated making use of indices which were provided by the external valuers. These estimates indicated a material movement and therefore have been applied to the Merseytravel property portfolio in the 2022/23 financial year. A full revaluation of all CA Group properties will take place in the 2023/24 financial year.

Capital Commitments

As at 31 March 2023, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2023/2024 and future years budgeted to cost £199.990m. Similar commitments at 31 March 2022 were £240.457m.

The major group commitments are:

- Rolling Stock £39.186m
- Highways Maintenance £25.403m
- Headbolt Lane £20.749m
- Project Trinity £15.000m
- Hydrogen Buses £10.086m
- Key Routes Network £9.050m
- Littlewoods Film Studios £6.567m

The major single entity commitments are:

- Merseytravel £40.660m
- Highways Maintenance £25.403m
- Project Trinity £15.000m
- Key Routes Network £9.050m
- Littlewoods Film Studios £6.567m

18. Intangible Assets

2021/22 £'000							2022/23 £'000					
Goodwill on Consolidation		Licences		Total			Goodwill on Consolidation		Licences		Total	
Group	Single Entity	Group	Single Entity	Group	Single Entity		Group	Single Entity	Group	Single Entity	Group	Single Entity
						Cost or valuation:						
						Opening balance:						
2,803	0	3,384	3	6,187	3	Gross carrying amount	2,803	0	3,992	3	6,795	3
(1,108)	0	(1,303)	0	(2,411)	0	Accumulated amortisation	(1,108)	0	(1,539)	0	(2,647)	0
1,695	**0**	**2,081**	**3**	**3,776**	**3**	**Opening net carrying amount**	**1,695**	**0**	**2,453**	**3**	**4,148**	**3**
0	0	709	0	709	0	Additions	0	0	241	48	241	48
0	0	(337)	0	(337)	0	Amortisation	0	0	(316)	0	(316)	0
0	0	0	0	0	0	Reclassification	0	0	0	0	0	0
0	0	0	0	0	0	Disposal	0	0	0	0	0	0
1,695	**0**	**2,453**	**3**	**4,148**	**3**	**Net carrying amount at end of year**	**1,695**	**0**	**2,378**	**50**	**4,072**	**50**
						Comprising:						
2,803	0	4,093	3	6,896	3	Gross carrying amount	2,803	0	4,233	50	7,036	50
(1,108)	0	(1,640)	0	(2,748)	0	Accumulated amortisation	(1,108)	0	(1,855)	0	(2,963)	0
1,695	**0**	**2,453**	**3**	**4,148**	**3**		**1,695**	**0**	**2,378**	**50**	**4,072**	**50**

Goodwill of £1.695m 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 LCRCA at which goodwill is monitored for internal management purposes.

Merseytravel has performed its annual impairment test as at 31 March 2023. The recoverable amount of The Beatles Story is determined on a value in use basis using cash flow projections based on historical financial outturns and future forecasts.

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 2022/23.

19. Heritage Assets

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
300	300	Statues of King George and Queen Mary	300	300
50	50	Day and Night sculpture	50	50
100	100	Obelisk at Kings Square	100	100
194	0	Art on the Network	194	0
385	0	Albert Dock monument	385	0
69	0	Bessie and Ken statues	69	0
63	0	Other heritage assets	63	0
1,161	**450**	**Balance as at 31 March**	**1,161**	**450**

The Group holds a number of heritage assets which are primarily statues and artworks as detailed in the above table.

The assets are not depreciated as depreciation charges are not required on heritage assets which have indefinite lives. An impairment review is undertaken when the asset has suffered physical deterioration or breakage, or where new doubts arise as to its authenticity.

20. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table overleaf together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Finance Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2022/23 £'000		2021/22 £'000	
	Group	Single Entity	Group	Single Entity
Opening Capital Financing Requirement	**526,202**	**522,564**	**453,934**	**450,296**
Capital investment				
PPE	39,524	7,610	80,198	3,284
Intangible assets	241	48	709	0
Revenue Expenditure Funded from Capital Under Statute	211,978	237,488	159,254	226,455
Investments	3,367	3,367	4,008	4,008
Loan Expenditure	5,375	5,375	8,517	8,517
Sources of Finance				
Government grants and other contributions	(167,970)	(161,608)	(168,897)	(158,479)
Direct Revenue Contributions	(6,087)	(6,087)	(4,819)	(4,819)
Sums aside from revenue reserves	(1,616)	(1,380)	(4,173)	(4,169)
Use of capital receipts	(1,200)	(1,200)	(246)	(246)
Minimum Revenue Provision	(4,748)	(4,748)	(2,283)	(2,283)
Closing Capital Financing Requirement	**605,066**	**601,428**	**526,202**	**522,564**
Explanation of movements in year:				
Increase/(Decrease) in underlying need to borrow	78,864	78,864	72,268	72,268
Increase/(Decrease) in Capital Financing Requirement	**78,864**	**78,864**	**72,268**	**72,268**

21. Long Term Debtors

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
0	2,382	Loan to Merseytravel for acquisition of The Beatles Story	0	2,187
5,267	5,267	LCR Digital	9,909	9,909
34,972	34,972	Chrysalis	34,972	34,972
38,380	38,380	Loans	8,238	8,238
1,625	1,625	Other Debtors	1,091	1,091
80,245	**82,627**	**Balance as at 31 March**	**54,210**	**56,397**

22. Short Term Debtors

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
1,775	490	Trade Receivables	2,517	189
3,438	587	Prepayments	3,719	2,584
0	4,217	Group Debtors	0	4,179
1,746	1,746	Loans	1,179	1,179
1,548	1,548	Collection Fund	2,296	2,296
4,910	8,738	Grants	8,625	8,625
16,861	336	Other Receivable Amounts	15,726	1,826
30,279	**17,663**	**Balance as at 31 March**	**34,062**	**20,878**

23. Short Term Creditors

2021/22 £'000			2022/23 £'000	
Group	**Single Entity**		**Group**	**Single Entity**
(2,901)	(801)	Trade Payables	(5,154)	(2,600)
0	(86,194)	Group Creditors	0	(93,457)
(1,840)	(1,840)	Collection Fund	(2,547)	(2,547)
(120,313)	(95,554)	Accruals and Deferred Income	(152,251)	(119,893)
(1,894)	(557)	Other Payables	0	0
(126,948)	**(184,946)**	**Balance as at 31 March**	**(159,952)**	**(218,497)**

24. Leases

Authority as Lessee

2021/22 £'000			2022/23 £'000	
Group	**Single Entity**		**Group**	**Single Entity**
11,540	3,558	Not later than one year	9,564	3,565
14,629	14,234	Between one and five years	14,466	14,261
53,376	53,376	Over five years	49,914	49,914
79,545	**71,168**	**Total**	**73,944**	**67,740**

The expenditure charged in the comprehensive income and expenditure statement during the year in relation to these leases was:

2021/22 £'000			2022/23 £'000	
Group	**Single Entity**		**Group**	**Single Entity**
13,482	3,558	Minimum lease payments	13,313	3,565
(11,020)	(1,096)	Sublease payments receivable	(10,610)	(862)
2,462	**2,462**	**Total**	**2,703**	**2,703**

Authority as Lessor

2021/22 £'000			2022/23 £'000	
Group	**Single Entity**		**Group**	**Single Entity**
(9,246)	(1,119)	Not later than one year	(14,503)	(1,119)
(4,070)	(3,103)	Between one and five years	(98,907)	(2,534)
(1,649)	(1,124)	Over five years	(8,826)	(575)
(14,965)	**(5,346)**	**Total**	**(122,236)**	**(4,228)**

Merseytravel has procured the first publicly owned fleet of trains in the UK. These will be leased to Merseyrail as the concession holder for the remainder of the concession agreement until 2028. The impact of this lease arrangement is reflected in the table above.

25. Long Term Liabilities

2021/22 £'000			2022/23 £'000	
Group	**Single Entity**		**Group**	**Single Entity**
(5,700)	(5,700)	Lease Incentive	(5,400)	(5,400)
(5,700)	**(5,700)**	**Total**	**(5,400)**	**(5,400)**

26. Provisions

	As at 31 March 2022		Expenditure charged to provision in year		(Increase) / decrease in provision		As at 31 March 2023	
	Group	Single Entity	Group	Single Entity	Group	Single Entity	Group	Single Entity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance Related Provision	(451)	0	0	0	84	0	(367)	0
Grant Related Provision	(10,270)	(10,270)	0	0	(12,904)	(12,904)	(23,174)	(23,174)
Contractual Provisions	(1,128)	(136)	0	0	61	0	(1,067)	(136)
Government initiatives	(200)	(200)	0	0	0	0	(200)	(200)
Capital Expenditure	(1,046)	(909)	0	0	0	0	(1,046)	(909)
Corporation Tax Provision	71	0	0	0	(161)	0	(90)	0
Total	**(13,024)**	**(11,515)**	**0**	**0**	**(12,920)**	**(12,904)**	**(25,944)**	**(24,419)**

	As at 31 March 2022		As at 31 March 2023	
	Group	Single Entity	Group	Single Entity
	£'000	£'000	£'000	£'000
Short Term Provisions	(11,012)	(10,469)	(23,932)	(23,373)
Long Term Provisions	(2,012)	(1,046)	(2,012)	(1,046)
Total	**(13,024)**	**(11,515)**	**(25,944)**	**(24,419)**

i) Insurance Related Provision – this provision represents the value of the remaining liability for all self-insured claims occurring in 2022/23 and all prior policy years.

ii) Grant related Provision - £23.174m this provision represents a grant which is awaiting payment once the final grant condition is met. This grant is expected to be paid during 2023/24.

iii) Contractual Provision – this provision is retained during the contractual defects period.

iv) Capital Expenditure – this is a provision which is retained in relation to the possible clawback of ERDF grants.

27. Financial Instruments

Categories of Financial Instruments

31 March 2022 £'000					31 March 2023 £'000			
Group		Single Entity			Group		Single Entity	
Current	Non Current	Current	Non Current		Current	Non Current	Current	Non Current
				Financial Assets at Amortised Cost:				
220,420	3,102	220,420	4,008	Investments	237,635	4,870	237,635	7,375
26,841	80,245	17,077	82,627	Debtors	30,344	54,210	18,295	56,397
68,774	0	68,653	0	Cash & Cash Equivalents	104,195	0	104,057	0
316,035	**83,347**	**306,150**	**86,635**	**Total Financial Assets**	**372,174**	**59,080**	**359,987**	**63,772**
				Financial Liabilities at Amortised Cost:				
(15,791)	(307,821)	(15,791)	(307,821)	Borrowing	(15,423)	(292,398)	(15,423)	(292,398)
0	0	(86,194)	0	Amounts due to Merseytravel Group	0	0	(93,457)	0
(126,948)	(5,700)	(98,453)	(5,700)	Creditors	(159,952)	(5,400)	(125,040)	(5,400)
(142,739)	**(313,521)**	**(200,438)**	**(313,521)**	**Total Financial Liabilities**	**(175,375)**	**(297,798)**	**(233,921)**	**(297,798)**

Income and Expenses through the CIES

2021/22 £'000					2022/23 £'000			
Group		Single Entity			Group		Single Entity	
Financial Liabilities	Financial Assets	Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets	Financial Liabilities	Financial Assets
11,318	0	11,318	0	Interest Expense	10,590	0	10,590	0
0	(2,384)	0	(2,597)	Interest Income	0	(8,852)	0	(9,220)
11,318	**(2,384)**	**11,318**	**(2,597)**	**Net (Income)/Expense for the Year**	**10,590**	**(8,852)**	**10,590**	**(9,220)**

Cash and Cash Equivalents

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
54,592	54,471	Cash and Bank Current Account	77,870	77,733
14,182	14,182	Short Term Deposits with Banks and Building Societies	26,325	26,325
68,774	**68,653**	**Total Cash and Cash Equivalents**	**104,195**	**104,057**

Analysis of Loans Outstanding

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
(140,033)	(140,033)	PWLB Debt	(132,760)	(132,760)
(174,426)	(174,426)	EIB Debt	(168,197)	(168,197)
(9,153)	(9,153)	Wirral MBC (transferred debt)	(6,864)	(6,864)
(323,612)	**(323,612)**	**Total Loans Outstanding**	**(307,821)**	**(307,821)**

Loans Maturing

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
(15,791)	(15,791)	Maturing within 12 months	(15,423)	(15,423)
(15,423)	(15,423)	Maturing within 1 to 2 years	(15,494)	(15,494)
(44,021)	(44,021)	Maturing within 2 to 5 years	(40,544)	(40,544)
(47,904)	(47,904)	Maturing within 5 to 10 years	(43,328)	(43,328)
(200,473)	(200,473)	Maturing in more than 10 years	(193,032)	(193,032)
(323,612)	**(323,612)**	**Total Loans Outstanding**	**(307,821)**	**(307,821)**

Fair Values of Assets and Liabilities

The Authority's financial liabilities and financial assets are represented by loans, investments and long-term debtors which are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instrument (Level 2 inputs) using the following assumptions:

- For loans from the Public Works Loan Board (PWLB), premature repayment rates from the PWLB have been applied to provide the fair value under the PWLB debt redemption procedures;
- For non-PWLB loans fair value estimates have been provided using both PWLB redemption and new PWLB certainty rate loan discount rates.
- For loans receivable, prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment has been recognised; and
- For highly liquid or cash deposits which can be settled on demand and for trade receivable or payable, fair value is taken to be the carrying amount or billed amount.

The fair values of the Authority’s financial assets and liabilities at the Balance Sheet date are detailed below:

31 March 2022 £'000		CA Group	31 March 2023 £'000	
Carrying Value	Fair Value		Carrying Value	Fair Value
		Financial Assets:		
3,102	3,102	Investment in Joint Venture	1,503	1,503
0	0	Other long term investment	3,367	3,367
220,420	219,810	Short term investments	237,635	237,480
68,774	68,773	Cash and cash equivalents	104,195	104,195
		Financial Liabilities:		
(140,033)	(194,283)	PWLB Debt	(132,760)	(142,876)
(174,426)	(137,179)	EIB Debt	(168,197)	(120,277)
(9,153)	(10,274)	Wirral MBC (transferred debt)	(6,864)	(6,741)

31 March 2022 £'000		CA Single Entity	31 March 2023 £'000	
Carrying Value	Fair Value		Carrying Value	Fair Value
		Financial Assets:		
4,008	4,008	Investment in Joint Venture	4,008	4,008
0	0	Other long term investment	3,367	3,367
220,420	219,810	Short term investments	237,635	237,480
68,653	68,652	Cash and cash equivalents	104,057	104,057
		Financial Liabilities:		
(140,033)	(194,283)	PWLB Debt	(132,760)	(142,876)
(174,426)	(137,179)	EIB Debt	(168,197)	(120,277)
(9,153)	(10,274)	Wirral MBC (transferred debt)	(6,864)	(6,741)
(83,658)	(83,658)	Amounts due to Merseytravel Group	(93,457)	(93,457)

IFRS 9 Review

An impairment review has been completed for all loans and debtors in accordance with IFRS9, these have been included with in the balance sheet figures. LCRCA have made two loans within the financial period for total of £4.950m for which no impairment has been made. In total there is £854k estimated credit loss held within the balance sheet, £570k in relation to loans and £284k in relation to trade debtors.

Loans

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
76,032	76,032	Opening Balance	81,991	81,991
7,767	7,767	Loans made in year	4,950	4,950
(1,808)	(1,808)	Loans repaid in year	(31,058)	(31,058)
0	0	Loan Interest	960	960
0	0	Loans converted to grant in year	(885)	(885)
81,991	**81,991**	**Closing Loan Value**	**55,959**	**55,959**
(570)	**(570)**	**Expected Credit Loss**	**(570)**	**(570)**

Debtors

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
2,723	483	Trade Debtors	2,802	189
(377)	**0**	**Expected Credit Loss**	**(284)**	**0**

Nature and Extent of Risk Arising from Financial Instruments

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

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

The LCRCA'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 LCRCA 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, which pays regard to the recognition and measurement of expected credit losses. The Authority will recognise a loss allowance for expected credit losses, if applicable, on assets where cash flows are solely principal and interest (i.e. financial instruments measured at amortised cost or FVOCI). This does not apply where the counterparty is central government or another Local Authority.

A credit loss review has been undertaken as above.

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.

Liquidity risk

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

Market Risk

Interest rate risk: The Authority is exposed to marginal risk in terms of its exposure to interest rate movements on its borrowings and investments. Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the CIES or MIRS. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the CIES or MIRS. Movements in the fair value of fixed rate investments will be reflected in the MIRS.

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

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

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

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

Hedging Instruments

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

28. Contingent Assets and Liabilities

The Department for Transport provides an annual Special Rail Grant to Merseytravel in support of the Merseyrail Electrics Network. This funding is subsequently paid by Merseytravel to the operator of the network, Merseyrail Electrics 2002 Limited (MEL).

The funding paid and to be paid in support of the Merseyrail Electrics Network is under review following internal assurance processes undertaken by the Department for Transport. This has led to MEL invoking contractual mechanisms to seek resolution to a number of issues concerning funding.

These matters are yet to be finalised and, due to the ongoing nature of this matter, further disclosure or quantification could be prejudicial.

29. Note to the Cashflow Statement

Cash Flow Statement Operating Activities

The cash flows for operating activities include the following items:

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
(2,462)	(2,462)	Interest Received	(8,852)	(9,094)
11,318	11,318	Interest Paid	10,590	10,590

The surplus or deficit on provision of services has been adjusted for the following non-cash movements:

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
15,555	10,381	Depreciation amortisation and revaluation losses	15,862	8,534
56,465	44,592	Increase/(decrease) in creditors, provisions and pension liability	108,095	107,703
(10,023)	(5,199)	(Increase)/decrease in debtors	(3,857)	(3,093)
98	56	(Increase)/decrease in inventories	(38)	26
(1,060)	190	Other non-cash items charged to the net surplus on the provision of services	174	(68)
61,035	**50,020**	**Total**	**120,236**	**113,102**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
(44,253)	0	Grants received for the financing of capital expenditure	(20,691)	(10,958)
0	(246)	Receipts from the sale of Non Current Assets	(233)	(233)
(44,253)	**(246)**	**Total**	**(20,924)**	**(11,191)**

Cash Flow Statement Investing Activities

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
(79,051)	(3,284)	Purchase of property, plant and equipment and intangible assets	(39,764)	(7,658)
14,808	10,800	Purchases and proceeds of short and long term investments	(20,582)	(20,582)
32,426	(5,746)	Other (purchases)/receipts from investing activities	47,032	37,299
(31,817)	**1,770**	**Total**	**(13,314)**	**9,059**

Cash Flow Statement Financing Activities

2021/22 £'000			2022/23 £'000	
Group	Single Entity		Group	Single Entity
(16,965)	(16,965)	Repayment of short and long term borrowing	(15,791)	(15,791)
(16,965)	**(16,965)**	**Total**	**(15,791)**	**(15,791)**

Reconciliation of Liabilities Arising from Financing Activities

	1st April 2022	Cash receipt of long term borrowing	Repayment of borrowing	31st March 2023
	£'000	£'000	£'000	£'000
PWLB Debt	(140,033)	0	7,273	(132,760)
EIB Debt	(174,426)	0	6,229	(168,197)
Wirral MBC (transferred debt)	(9,153)	0	2,289	(6,864)
Total liabilities from financing activities	**(323,612)**	**0**	**15,791**	**(307,821)**

	1st April 2021	Cash receipt of long term borrowing	Repayment of borrowing	31 March 2022
	£'000	£'000	£'000	£'000
PWLB Debt	(148,480)	0	8,447	(140,033)
EIB Debt	(180,656)	0	6,230	(174,426)
Wirral MBC (transferred debt)	(11,441)	0	2,288	(9,153)
Total liabilities from financing activities	**(340,577)**	**0**	**16,965**	**(323,612)**

30. CA Group Companies

Merseytravel

The decisions of the Authority with respect to transport services across Merseyside are implemented by Merseytravel. The relationship between the single entity and the services provided by Merseytravel on behalf of the Authority are detailed in the narrative statement. Merseytravel's activities are funded through capital and revenue grants from the single entity. Details of material expenditure is detailed below:

2021/22 £'000	Merseytravel	2022/23 £'000
	Expenditure	
91,646	Merseytravel Grant	86,844
15,223	Tunnels Operational Grant	17,362
204	Rolling Stock	0
111,063	Capital Grants REFCUS	84,348
1,603	General Expenditure	7,041

Chrysalis

In May 2017, the novation of the JESSICA Holding Funds from the HCA to the LCR CA and GMCA was completed. The Urban Development Fund (UDF) covering the Liverpool City Region which has been novated to LCRCA is Chrysalis. The £36m Chrysalis Fund finances property, regeneration and sustainability projects throughout the Liverpool City Region. The novated sums have been reflected in the LCRCA's single entity account through the CIES as grants and non specific grant income and reflected on the Balance Sheet as an earmarked reserve and a long term debtor with the UDF Chrysalis.

On novation the CA became the limited partner with 100% shareholding in LCR Chrysalis Holdings (GP) Limited, the General Partner. The principal activity of the company is to act as the General Partner for the limited partnership, LCR Chrysalis Holding Limited Partnership, whose principal activity is to oversee funds already committed into development finance projects across Merseyside to meet regeneration objectives. On novation the funds became part of the CA's Single Investment Framework to ensure the alignment of investments with the City Region's growth plan. For the purposes of consolidation whilst LCRCA controls LCR Chrysalis Holdings (GP) Limited, the financial activity of this organisation is not deemed material and therefore not consolidated into the group accounts. The partnership agreement in respect of LCR Chrysalis Holding Limited Partnership is such that the LCRCA does not exercise control over the partnership and therefore does not form part of the group.

Liverpool City Region Urban Development Fund (LCR UDF)

The LCR UDF is a £25m fund managed under the Strategic Investment Fund framework incorporated on 19th February 2019. The Fund is backed by the 2014-2020 ERDF England Operational Programme and is a new funding route to foster smart, sustainable and inclusive growth for the Liverpool City Region.

The LCRCA has established a special purpose vehicle to deliver the LCR UDF, a separate legal entity fully owned by the LCRCA. The special purpose vehicle is a limited partnership, LCR UDF Limited Partnership. The two partners in the limited partnership are:

- a private limited company incorporated by the LCRCA acting as the general partner LCR UDF (GP) Limited and;
- the LCRCA, which is the limited partner in the partnership

The activities and performance of the LCRCA limited partnership is overseen by the board of its General Partner. The board is comprised of 3 directors, the LCRCA's Chief

Executive, Section 73 Officer and Director of Commercial Development and Investment.

The GP Board is the ultimate decision maker having powers to approve investments and other matters in accordance with the Investment Strategy and considering the advice from relevant advisors.

The funding agreement between the Secretary of State for Ministry of Housing, Communities and Local Government and LCR UDF Limited Partnership is such that the LCRCA does not have exposure or rights to variable returns from its involvement with LCR UDF. As a consequence, the LCRCA does not exercise control over the partnership and therefore the LCR UDF does not form part of the group.

Mersey Tidal One Limited

The company has never traded and has been dormant since its formation.

The Growth Platform

The Growth Platform was established on 9th May 2019 to help create jobs, build business, attract investment and to help young people in the Liverpool City Region. The LCRCA has majority ownership in the Holding company which is a company limited by guarantee. The LCRCA nominate a majority of guarantors and the private/education/third sector provide a minority of guarantors through election at the LEP Board. The LCRCA does exercise control over the Growth Platform however the results have not been consolidated on the grounds of materiality. The net assets as at 31st March 2023 are £509k (£492k in 2021/22 as per audited accounts) and net surplus for the 2022/23 financial year is £17k (£97k surplus in 2021/22 as per audited accounts).

Liverpool City Region Digital Limited

Liverpool City Region Digital Limited was incorporated on 30th November 2020 and is a joint venture investment for the CA. The CA holds 50% of the shareholdings and NGE Concessions SAS and ITS Technology Group Limited hold 25% each.

Merseytravel Group Companies

Name	Parent	Holding	Nature of Business	% Equity Interest
Mersey Ferries Ltd	Merseytravel	Company limited by guarantee	Passenger transport	N/A
Merseyside Passenger Transport Services Ltd	Merseytravel	25 £1 ordinary shares 375 £1 5% non-cumulative preference shares	Leasing	100%
Real Time Information Group Ltd	Merseytravel	1x £1 ordinary shares	Real Time Information systems	100%
Accrington Technologies Ltd	Merseytravel	500 £1 ordinary shares	Smartcards	50.10%
The Beatles Story Ltd	Mersey Ferries Ltd	290,000 £1 ordinary shares	Tourism	100%

Certain directors of Merseytravel are also directors of the above companies. Whilst these individuals are paid a salary by Merseytravel, no additional remuneration is received in respect of these directorships.

Under the relevant accounting standards all of the above fall to be classed as subsidiary undertakings and as such the financial performance of each should be consolidated into the group financial statements on an equity basis however as the financial performance of Accrington Technologies is not considered material the financial performance has not been consolidated into the accounts. A summary of financial performance is detailed below:

Accrington Technologies – during the last two financial years the company has not traded and has received no income and incurred no expenditure. As at 31 March 2023 the company had net assets of £5k and reserves of £5k.

Real Time Information Group (RTIG) - on 9th March 2023 RTIG transferred business to RTIG Inform Limited. The RTIG company will therefore be wound up in due course.

31. Mersey Tunnels

Operation of the Mersey Tunnels has been delegated by the Authority to Merseytravel. To meet the cost of operating the tunnels, Merseytravel is provided with a grant from the Authority which is in turn funded from tunnel tolls income.

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.

During the financial year, income of £42.969m was raised from tunnel tolls and miscellaneous income. A grant of £17.362 million was paid to Merseytravel to cover the direct costs of operating and maintaining the tunnels and the indirect support costs. A contribution of £6.000 million was made towards the Combined Authority's historic debt servicing costs. A further £6.087m was utilised to fund tunnels capital expenditure. The balance of £13.52 million was transferred to the Combined Authority's infrastructure reserve.

During the year there was no call on the Tunnels Reserve and Renewals Fund to support the Tunnels capital programme. The balance on the reserve as at 31 March 2023 was £5.4 million.

GLOSSARY OF FINANCIAL TERMS

Accounting Policies
Those specific principles, bases, conventions, rules and practices applied that specify how the effects of transactions and other events are to be reflected in the financial statements.

Accruals
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Agent/Agency
Where the organisation is acting as an intermediary, as opposed to on its own behalf.

Amortisation
The accounting technique of recognising a cost or item of income in the Comprehensive Income and Expenditure Statement or the Movement in Reserves Statement over a period of years rather than when the initial payment is made.
Its purpose is to charge/credit the cost/income over the accounting periods that gain benefit for the respective item.
The technique is supported by relevant accounting policies and practices.

Amortised Cost
A method of determining the Balance Sheet carrying amount and periodic charges to the Comprehensive Income and Expenditure Statement of a financial instrument based on the expected cash flows of that instrument.

Capital Expenditure
Expenditure on the acquisition or enhancement of a non-current asset or capital advances and loans to other individuals or other third parties.

Capital Financing Requirement (CFR)
Introduced as a result of the Prudential Framework for Capital Accounting and measures the underlying need of the organisation to borrow for expenditure of a capital nature.

Capital Receipts
The proceeds from the sale of capital assets or repayment of capital advances.

Carrying Amount
The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

Cash Equivalents
Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

Cash Flows
Inflows and outflows of cash and cash equivalents.

Community Assets
Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks and public open spaces.

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

Contingent Liability
A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Where a material loss can be estimated with reasonable accuracy a contingent liability is accrued in the financial statements. If, however, a loss cannot be accurately estimated or the event is not considered sufficiently certain, it will be disclosed in a note to the balance sheet.

Creditors
Financial liabilities arising from the contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied.

Credit Risk
The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.

Current Replacement Cost
The cost the organisation would incur to acquire the asset on the reporting date.

Current Service Cost (Pensions)
The increase in the present value of liabilities resulting from employee service in the period.

Curtailment (Pensions)
An event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

(i) termination of employees services earlier than expected, for example as a result of closing or discontinuing a segment of a business; and

(ii) termination of, or amendment to the terms of, a defined benefit plan so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors
Financial assets arising from the obligation to a future cash receipt for goods or services or other benefits that have been delivered or provided.

Defined Benefit Plan
A pension or other retirement benefit plan other than a defined contribution plan. Usually, the plan rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the plan. The plan may be funded or un-funded (including notionally funded).

Depreciated Replacement Cost (DRC)
A method of valuation which provides the current cost of replacing an asset with its modern equivalent less deductions for all physical deterioration and all relevant forms of obsolescence.

Depreciation
The measure of the wearing out, consumption or other reduction in the useful life of a non-current asset over its useful economic life.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the organisation's discretionary powers.

Existing Use Value (EUV)
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion assuming that the buyer is granted vacant possession of all parts of the property and disregarding potential alternative uses and any other characteristics that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less, where applicable, any grants receivable towards the purchase or use of the asset.

Financial Instrument
A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities and includes both the most straightforward financial assets such as trade receivables (debtors) and trade payables (creditors) and the most complex ones such as derivatives.

Typical financial instruments are:-

(i) Liabilities
- Trade payables
- Borrowings
- Financial Guarantees

(ii) Assets
- Bank deposits
- Trade receivables
- Loans receivable
- Investments

Finance Lease
A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee, with the asset then recognised the lessee's Balance Sheet.

Financing Activities
Activities that result in changes to the size and composition of the principal, received from or repaid to external providers of finance.

Going Concern
An assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Government Grants and Contributions
Assistance in the form of cash or transfers of resources to an Authority in return for past or future compliance with certain conditions relating to the operation of activities of the Authority.

Heritage Assets
The Heritage Assets are assets that are held by the organisation principally for their contribution to knowledge, understanding and appreciation of the Authority's history and/or culture.

Historical Cost
Deemed to be the carrying amount of an asset as at 1 April 2007 or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

IAS19
This International Accounting Standard (IAS) is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

Impairment
A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

Infrastructure Assets
A class of non-current assets that are inalienable. Examples of infrastructure assets are bridges, roads and footpaths.

Intangible Fixed Asset
"Non-financial" fixed assets that do not have physical substance but are identifiable and are controlled by the organisation through custody or legal rights e.g. software licences.

Interest on Plan Assets (Pensions)
The annual investment return on the fund assets based on an average of the expected long-term return.

Interest on Plan Liabilities (Pensions)
The expected increase during the period in the present value of liabilities as the benefits move one year closer to being paid.

Inventories
The amount of unused or unconsumed stocks held in expectation of future use or resale.

Investing Activities
The acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Liquidity Risk
The possibility that one party will be unable to raise funds to meet its commitments associated with financial instruments.

Market Risk
The possibility that the value of a financial instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates, etc.

Market Value
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Material/Materiality
Omissions or mis-statements are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the size of the omission or mis-statement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

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

Net Realisable Value
The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Current Assets
Assets that yield benefits to the Authority and the services it provides for a period of more than one year.

Non-Operational Assets
Non-current assets held by an Authority but not directly occupied, used or consumed in the delivery of services, or for the service or strategic objectives of the Authority.

Operating Activities
Activities of the Authority that are not investing or financing activities.

Operating Leases
A lease that does not transfer substantially all of the risks and rewards of ownership of a non-current asset to the lessee. The asset is recognised on the lessor's Balance Sheet. Expenditure financed by operating leasing does not count against capital allocations.

Past Service Cost/Gain (Pensions)
The increase or reduction in the present value of liabilities arising from decisions in the period whose effect relates to years of service earned in earlier periods.

Plan Liabilities (Or Plan Defined Benefit Obligations)
The liabilities of a defined benefit plan for outgoings due after the valuation date. Plan liabilities measured using the projected unit credit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Price Risk
The risk that the value of financial instruments will fluctuate as a result of changes in market prices.

Projected Unit Credit (Actuarial Cost) Method

An accrued benefits valuation method in which the plan's liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the plan liabilities at the valuation date relate to:-

(i) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
(ii) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries. Under this method, the current service cost will increase as members of the plan approach retirement.

Provisions

A liability of uncertain timing or amount.

REFCUS (Revenue Expenditure Financed From Capital Under Statute)

Expenditure that is classified as revenue in accordance with proper accounting practices, but which statute determines may be financed by Capital sources of funding.

Related Parties

Related parties are those individuals and entities that the Council either has the potential to influence or control (or be influenced or controlled by). Related include central government, other bodies, its members and its chief officers.

Related Party Transaction

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

The materiality of related party transactions should be judged not only in terms of their significance to the Authority, but also in relation to its related party.

Re-Measurement (Pensions)

The changes in estimated assets and liabilities, assessed by the actuary and arising because:

(i) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
(ii) the actuarial assumptions have changed.

Remuneration

The *Accounts and Audit Regulations 2015* require the disclosure of amounts paid to Officers and define remuneration as:-

'……..all amounts paid to or receivable by a person, and includes sums due by way of expense allowance (so far as those sums are chargeable to United Kingdom income tax), and the estimated money value of any other benefits received by an employee otherwise than in cash.'

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:-

(i) an employer's decision to terminate an employee's employment before the normal retirement date; or

(ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure

This is money spent on the day-to-day running costs of providing services and includes salaries, goods and services.

It is usually of a constantly recurring nature and produces no permanent asset.

Senior Employees

Senior employees are defined under the Local Government and Housing Act 1989, however within Liverpool City Region Combined Authority this is deemed to be the Statutory Post holders and Directors.

Settlement (Pensions)

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to affect the settlement. Settlement includes the transfer of scheme assets and liabilities relating to a group of employees leaving the Authority's scheme.

Termination Benefits

Amounts payable as a result of either:

(i) an employer’s decision to terminate an employee’s employment before the normal retirement date; or

(ii) an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Useful Life

The period over which the Authority will derive benefits from the use of a non-current asset.