



**Liverpool City Region Combined Authority**  
Statement of Accounts 2023/24  
(Subject to Audit)

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## TABLE OF CONTENTS

	<u>Page No.</u>
Introduction to the Accounts	2
Narrative Report by the Executive Director Corporate Services of the Liverpool City Region Combined Authority	3
Statement of Responsibilities for the Liverpool City Region Combined Authority Statement of Accounts	19
Annual Governance Statement	20
Independent Auditor's Report to the Members of Liverpool City Region Combined Authority	38
Primary Financial Statements	
Movement in Reserves Statement	40
Comprehensive Income and Expenditure Statement	44
Balance Sheet	46
Cashflow Statement	47
Notes to the Primary Financial Statements	48
Glossary of Financial Terms	109

## INTRODUCTION TO THE ACCOUNTS

The Liverpool City Region has been on a remarkable journey of transformation since the election of its first mayor in 2017. We are working to make our area **the best place to grow up, grow a family and grow a business** for the 1.6 million people who call it home.

My vision is to build a local economy that is not only resilient but also fair and inclusive. It is not just about growth for growth's sake but about purpose-driven growth that lifts our communities up rather than leaving them behind.

We have already created 60,000 new jobs and 30,000 apprenticeships, invested hundreds of millions of pounds in local colleges, built a futuristic broadband network and are well on the way to building the most comprehensive public transport offer outside of London.

We have made enormous progress to date – but I am not content with resting on our laurels. **These investments are the foundation of our region's future success.**

They will ensure that our people and business have all the raw materials they need to succeed: world class digital infrastructure; accessible, reliable public transport; a plentiful supply of renewable energy; and a workforce with the skills needed to lead our region into the future.

We have recently launched our Innovation Zone, which will help our region towards its target of investing 5% of local GVA on R&D by 2030. If fully realised, we have a pipeline of innovation projects that could add £42bn to the local economy, creating 44,000 good jobs for local people and improving productivity by 10%.

It is a key tool in our armoury to deliver on my pledge to ensure that we are back among the Top 10 UK areas for foreign direct investment (FDI) by attracting 25% more FDI into the region by the end of the decade.

Thanks to devolution, we are now charting our own path and ensuring that the next chapter in our region's history won't be written for us in Whitehall or Westminster, but here in the Liverpool City Region.

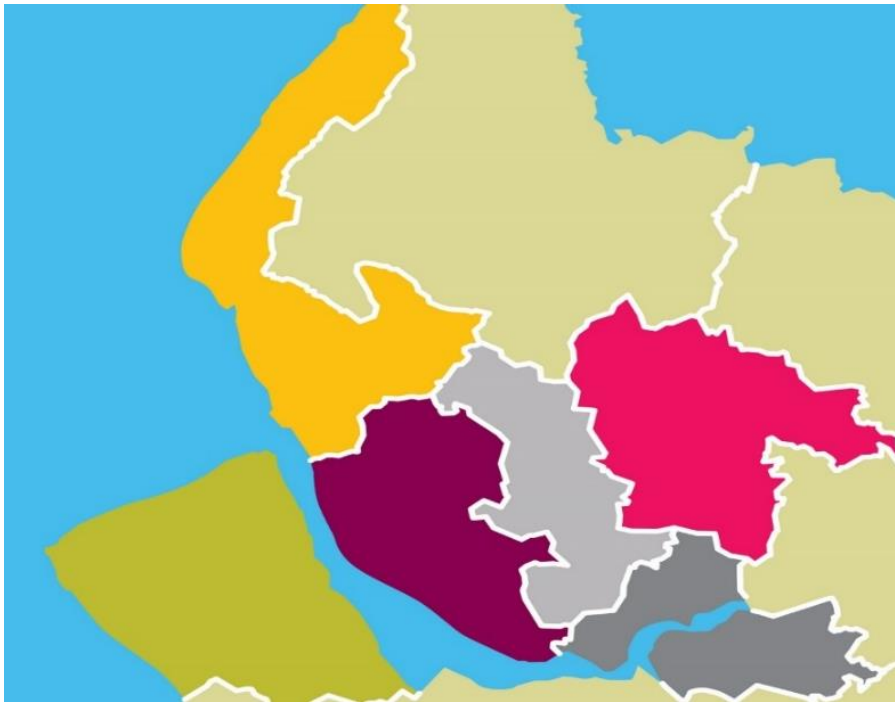


**Steve Rotheram – Mayor of the Liverpool City Region**



## NARRATIVE REPORT BY THE EXECUTIVE DIRECTOR 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<sup>1</sup> 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.

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<sup>1</sup> Office for National Statistics, April 2024; Regional Gross Value Added (Balanced) by Local Authority (1998-2022) Table 6: City Regions: Total resident population numbers, persons

The region's economy is estimated to be worth £39.6bn<sup>2</sup> based on GVA (gross value added) and has been one of the fastest growing in the North of England over the last 10 years. Our economy has grown by nearly £3bn and 44,000 jobs since 2017. The number of businesses has grown by 1,000 – a faster rate than nationally. This is supported by its high business birth rate, which in 2023 was the third highest rate of all Combined Authorities.

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**

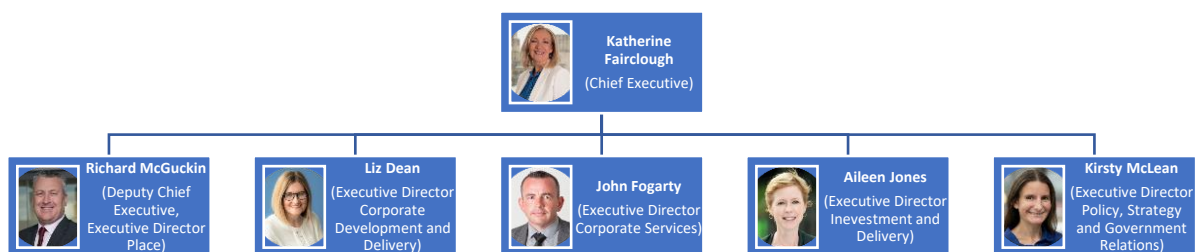
The Liverpool City Region Mayoral Combined Authority is comprised of the directly elected Mayor who chairs the CA and the leaders from each of the six constituent Local Authorities comprising the Liverpool City Region area. In addition, the Police and Crime Commissioner and the Chair of the newly established Business & Enterprise Board (that replaced the Local Enterprise Partnership) 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 2023/24.

<b>Portfolio</b>	<b>Portfolio Holder</b>
Policy, Reform & Resources	Mayor of the Liverpool City Region, Steve Rotheram
Employment, Education and Skills	Councillor Ian Maher, Leader Sefton Council (resigned 19 January 2024) Councillor Marion Atkinson, Leader Sefton Council (from 19 January 2024)
Digital and Innovation	Councillor Paul Stuart, Leader Wirral Council
Housing and Spatial Planning	Councillor Graham Morgan, Leader Knowsley Council
Net Zero and Air Quality	Councillor David Baines, Leader St Helens Council
Economic Development and Business	Councillor Mike Wharton, Leader Halton Council
Transport	Councillor Liam Robinson, Leader Liverpool City Council
Criminal Justice	Merseyside PCC Emily Spurrell

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.

<sup>2</sup> Office for National Statistics, April 2024; Regional Gross Value Added (Balanced) by Local Authority (1998-2022) Table 1: City Regions: Gross value added (Balanced) at current basic prices



As at 31 March 2024, the Combined Authority group (which incorporate Merseytravel and its subsidiaries) employed 975 FTEs compared with 962.3 FTEs as at 31 March 2023.

## Financial Performance

### Group Revenue Expenditure 2023/24

The Authority's budget was approved on 20 January 2023 which approved an expenditure budget of £231.2m with a Transport Levy of £102.3m, Tunnel Tolls income of £43.5m and a Mayoral Precept of £8.1m. The revenue budget was revised during the year, most latterly at the Combined Authority meeting on 15 March 2024. The following table compares the actual spend against revised budget for 2023/24.

	Revised Budget £'000	Outturn £'000	Variance to Budget £'000
Place Directorate	73,728	60,505	13,223
Policy, Strategy & Government Relations Directorate	7,045	5,710	1,335
Corporate Services Directorate	7,322	5,244	2,078
Investment & Delivery Directorate	95,911	87,968	7,943
Corporate Development & Delivery Directorate	11,890	10,693	1,197
Mayoral Priorities	600	45	555
Corporate Management & Costs	1,120	(21)	1,141
Concessionary Travel	42,293	40,966	1,327
Net Debt Servicing Costs	9,270	2,322	6,948
Grant Payments to Partners	43,395	34,843	8,552
Halton Differential Levy	3,300	3,300	0
<b>Total Expenditure</b>	<b>295,874</b>	<b>251,575</b>	<b>44,299</b>
Funded by:			
Transport Levy	(102,283)	(102,283)	0
Tunnels Tolls	(43,471)	(46,490)	3,019
Mayoral Precept	(8,091)	(8,093)	2
Halton Differential Levy	(3,300)	(3,300)	0
Application of Specific Grants & Other Income	(139,425)	(124,046)	(15,379)
Transfer to / (from) reserves	696	32,637	(31,941)
<b>Total Income</b>	<b>(295,874)</b>	<b>(251,575)</b>	<b>(44,299)</b>
<b>Net Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>

The position detailed in the table above is based on actual cost against budget. These figures are different 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 of Practice on Local Authority Accounting in the United Kingdom 2023/24. Within the main body of the Statement of Accounts, the levy position is detailed in the Movement in Reserves and Expenditure and Funding Analysis.

### Group Reserves and Balances

Based on the outturn position detailed above the resultant position in respect of the Usable Reserve Balances is detailed below.

	2022/23 £'000	In Year Movement £'000	2023/24 £'000
Capital Receipts	(13,776)	(988)	(14,764)
General Fund Reserves (Group)	(22,717)	(6,710)	(29,427)
Earmarked Usable Reserves	(165,811)	(15,718)	(181,529)
Merseytravel Group	(56,482)	(9,225)	(65,707)
<b>Total</b>	<b>(258,786)</b>	<b>(32,641)</b>	<b>(291,427)</b>

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

### Group Capital Expenditure 2023/24

The Authority spent £233.1m on capital during 2023/24. This expenditure is summarised in the following table.

	2022/23 £'000	2023/24 £'000
Capital Grants to Merseytravel/ Districts/ other recipients (Revenue Expenditure funded from Capital under Statute)	211,978	187,308
Plant and Equipment	2,009	13,938
Property Assets	265	648
Infrastructure	3,705	11,180
Intangible Assets	241	1,610
Assets under Construction	33,546	15,680
Loans	0	2,745
<b>Total</b>	<b>251,744</b>	<b>233,109</b>

The following table details the funding of the capital programme.

	2022/23 £'000	2023/24 £'000
Capital Grants	164,944	194,949
Application of Reserves	1,616	1,047
Capital Receipts	233	84
Revenue Contribution to Capital Outlay	6,087	3,495
Other Contributions	0	0
External Borrowing	0	0
Internal Borrowing	78,864	33,534
<b>Total</b>	<b>251,744</b>	<b>233,109</b>

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 2023/24.

	2023/24 £'000
Highways Maintenance (Local Authority Delivery)	50,762
Rolling Stock Programme	18,589
Headbolt Lane Gateway	16,119
Sustainable Warmth Programmes	12,781
Parkside Road (incl Freeport)	12,341
Hydrogen Bus	11,876
Ferries - New Vessel Build	7,890
Social Housing Decarbonisation Fund	7,131
St Helens Manufacturing and Innovation Campus	6,875
Ropewalks (Phase 2)	5,286
Lea Green Park & Ride	4,404
Key Route Network Strategic Maintenance (Local Authority Delivery)	4,111
Local Cycling and Walking Infrastructure Plans Phase 2 (Runcorn to Daresbury)	3,862
Littlewoods	3,333
Digital Connect	2,992
UKSPF	2,215
Liverpool Baltic	2,059

## Borrowing

As at 31 March 2024, the Authority's borrowing was £292.4m, compared to £307.8m in 2023. The table below details the composition of its debt.

	2022/23 £'000	2023/24 £'000
PWLB Borrowing	132,760	125,854
European Infrastructure Bank (EIB) Borrowing	168,197	161,967
Transferred Debt	6,864	4,576
<b>Total</b>	<b>307,821</b>	<b>292,397</b>

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 2023/24 was £639m.

## 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 2024 the Authority had investments of £335.4m, compared with £341.2m as at 31 March 2023.

## Performance against the CA Plan Priorities 2023/24

The Liverpool City Region Combined Authority 'LCRCA' was established in 2014. In 2015, we agreed a Devolution Deal with National Government and, in 2017, the first Metro Mayor was elected for the Liverpool City Region. The Metro Mayor leads the Combined Authority, in conjunction with our constituent Local Authority Leaders of Halton, Knowsley, Sefton, St Helens and Wirral and the elected Mayor of Liverpool City Council.

The current LCRCA Corporate Plan covers a three-year period from 2021 to 2024, outlining:

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

Our 2021-24 Corporate Business Plan is based on five key priorities, and each priority is, in turn, underpinned with a set of delivery activities and supporting service plans. The Priorities for 2023/24 are:



## 2023/24 Performance

The LCRCA has a performance management framework driven by its key priorities for 2023/24. A set of performance measures have been developed to track progress against key priorities. Where possible, targets are set which aim to challenge the organisation and drive continuous improvement.

Each priority has specific delivery activities and monitoring information is collected and reported to the Chief Executive on a quarterly basis. Monthly updates on operational performance are also provided to the Executive Leadership Team. A RAG system is used to oversee the delivery and management of the activities/priorities, as shown in the following table.

<b>RAG Rating</b>	<b>Description</b>
<b>Red</b>	Highly Problematic – Delivery of activity/Priority at significant risk
<b>Amber</b>	Problematic – Delivery of activity/Priority at risk but not significant
<b>Green</b>	Well Managed – No risk to the delivery of the activity/Priority OR nearing completion/delivery
<b>Blue</b>	Delivered/Completed – the activity/Priority delivered
<b>Purple</b>	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 rating applied accordingly. The table below provides an overview of performance at the end of Quarter 3 2023/24:

<b>Priority</b>	<b>RAG Status</b>
Priority 1: A Fairer City Region	Green
Priority 2: A Stronger City Region	Green
Priority 3: A Cleaner City Region	Amber
Priority 4: A Connected City Region	Green
Priority 5: A Vibrant City Region	Amber

Some key achievements and interventions delivered in relation to our priorities during 2023/24 are highlighted below.

### Priority 1: A Fairer City Region

#### **Race Equality Hub continues to expand**

The £2.3m Race Equality Hub, that supports career opportunities and the development of Black, Asian and Minority Ethnic businesses across the region, continued to expand during 2023/24. Four new trainee advocate roles have been created to support unemployed people from Black, Asian and Minority Ethnic communities facing barriers to accessing employment opportunities, as part of a joint initiative by Households into Work and the Race Equality Hub. A new programme director has been appointed to the Hub and an advisory board of people from Black, Asian and Minority Ethnic backgrounds across the Liverpool City Region (LCR) has been established to oversee work, ensuring that the Hub develops and influences support to challenge inequalities and promote the economic advancement of Black, Asian and Minority Ethnic community members.

#### **Social Value - one year on**

A year on from the launch of the Social Value Policy and Framework, the Combined Authority's (CA's) annual social value report published in June 2023, highlighted the huge benefits of social value to LCR's communities, in terms of jobs, investment, volunteering and donations. The report described how flagship schemes around digital infrastructure, transport, construction, investment and adult education have been refocussed to embed the principle of giving something back to the community into all CA activities. Two-thirds of all contracts awarded by the CA have included measures to maximise local benefits and this emphasis has led to the creation of more than 130 full-time jobs and eight apprenticeships. The first £1m of a planned £5.5m investment from the CA into community interest company Kindred for investment in socially trading organisations attracted £10.5m in additional funding. Community organisations including schools, food banks and charities have benefited from £1.1m of in-kind contributions from a range of programmes, while race equality training was designed to better understand the needs of local communities. In total the CA's 1,000 employees and 21,000 Local Authority workers were set to benefit from the training.

## LCR announced its largest ever investment in adult skills training



During the year, the LCRCA announced that almost £60m will be invested to train more than 30,000 residents in a bid to tackle the region's skills shortages and meet the needs of local employers. As part of the investment, more than £54m will go to Further Education Colleges, Local Councils and independent Providers during the next academic year. An additional £3.7m will fund free Level 3 qualifications (A-level equivalent training for people earning under £30,000 a year).

## Thousands of devices donated to digitally excluded people

This year, the LCR Combined Authority has been the first authority outside of London to sign up to a National Device Recycling Scheme, donating 200 unused PCs, laptops, and monitors to digitally excluded people in the region, via the National Device Bank. In collaboration with Lloyds Bank, Vodafone World Wide Technology Group and Empaua Ventures, an additional 4,750 tablets have been provided to digitally excluded people, a number of which are clients supported by the Households into Work programme, alongside in-person training for online skills and six months of free data. The scheme was aimed at helping people get online and supported Households into Work clients in securing employment.



## Households into Work

Households into Work has supported 1,260 people this year, all with multiple complex needs, providing up to 12 months of intensive 1-1 support through a holistic 'whole household' approach to overcoming barriers to employment. During the year, 767 programme participants have left, of which 179 have found employment and 232 have gone onto formal training or education. Just under 600 participants (588) benefited from skills development opportunities (non-accredited learning or skills development such as confidence building or money management) and 157 work related activities (such as volunteering or work experience).

## Priority 2: A Stronger City Region

## LCR unveiled as England's second Investment Zone, focused on Life Sciences



LCR Life Science Investment Zone launched this year to supercharge health and life sciences, paving the way for up to £800m of public and private investment and 8,000 new jobs. Plans have also been announced to launch 21 projects initially that will create new hi-tech facilities, provide business and innovation support and train the next generation of talent. Major developments are proposed at Maghull Health Park, St Helens

Manufacturing and Innovation Campus, Earlsfield Park Knowsley, Sci-Tech Daresbury and Knowledge Quarter Liverpool, where two new buildings will provide additional laboratory space to boost the city region’s world-leading infection innovation capabilities.

### **Higher Education Institutions provide Business Support in the Liverpool City Region**

A number of business support programmes have been delivered with support from the UK Shared Prosperity Fund (UKSPF) during the year. Edge Hill University have delivered two programmes related to Leadership and Management: ‘The Innovation Sprints Programme’ and the Leadership for Growth Programme, providing participants with CMI Level 7 Certification in Strategic Leadership or CMI Level 4 Certificate in Leadership & Management. While the ‘Low Carbon Eco Innovatory Programme’ has also been delivered by John Moores University. This supports businesses to decarbonise through: the production of a carbon impact report which makes a series of recommendations to reduce their carbon footprint; and the opportunity to apply for a capital grant to support implementation of the solutions.

## **Priority 3: A Cleaner City Region**

### **Steps taken towards developing a Local Nature Reserve Strategy (LNRS)**

This year the first stage in developing the LNRS was carried out. Public engagement with 682 participants, including farmers, organisations and citizens, provided an in-depth understanding of public perceptions of nature, focussing on their values and priorities in relation to the natural environment. This knowledge contributed to the development of a draft LNRS strategy which will be open to public comment in the second stage next year. Once finalised, the LNRS will aim to restore and repair the natural habitats of some of the area’s most threatened species.



### **EV Charging/ Local Electric Vehicle Infrastructure (LEVI)**

DfT launched the Local Electric Vehicle Infrastructure (LEVI) fund during the year to deliver a step change in the deployment of local primarily low power on-street charging infrastructure across England and accelerate the commercialisation of the local charging infrastructure sector. The LCRCA had access to £9.65m of capital funding, with the expectation that further private finance would be leveraged to support provision. Following the application for funding in November 2023, 90% of the capital funding was received in March 2024, in line with the LCRCA being moved forward into Tranche 1 of scheme. Work is now underway to produce an initial scope for deployment of the funding across the six Local Authority Areas and procurement will be formally launched in Summer 2024.

## Funding secured to continue retrofitting properties

This financial year, the LCRCA has been awarded £105m in funding to support low-income households through retrofitting around 10,000 properties with energy efficient measures including external wall insulation, roof insulation, heat pumps and solar panels. A further £31m in funding as part of the 'Sustainable Warmth Fund' was announced which will upgrade 2,800 properties including homes that are not connected to the gas grid, which rely on expensive heating systems using oil or liquid petroleum gas. Additionally, a second round of group-buying scheme for solar panels was carried out to help residents and small businesses cut energy bills and carbon emissions.



## Plans to build world largest tidal scheme on banks of River Mersey unveiled



Plans have been unveiled that the City Region will pursue a barrage between the Wirral and Liverpool as the preferred option for the region's flagship Tidal Power project. The barrage scheme – the “first of a kind” in the UK – could generate clean, predictable energy for 120 years and create thousands of jobs in its construction and operation. The Mersey Tidal Power project would be

the largest tidal range scheme in the world, using tried and tested technology for the first time in the UK. The multi-billion-pound project would potentially create thousands of local jobs, bringing economic and resilience benefits to the Liverpool City Region, in an asset that could operate for more than 120 years.

### Priority 4: A Connected City Region

#### City Region Sustainable Transport Settlements

Progress is being made on delivering the £710m awarded to the LCRCA. Highways Maintenance funding is being invested to improve the condition of the highway network to reduce congestion and improve journey times for active travel, bus and other users. In addition to the local highway network, £45m has also been approved to improve the Key Route Network. Projects include active travel improvements across the City Region, drainage and structural improvements and upgrading the lighting in the Queensway Tunnel to reduce carbon emissions. Active Travel improvements are being delivered between Runcorn and Daresbury in Halton, improving connections to Runcorn Station and Daresbury Sci-Tech Park.

In addition to CRSTS 1 (which runs to 2026/27), the Government announced indicative CRSTS 2 allocations in October 2023. For the LCRCA this covers a baseline allocation of £987m and a CRSTS 2 uplift of £594m, bringing the total to £1.6bn for the Liverpool City Region.

## Investment approved to deliver Smart Ticketing

Almost £10m investment has been approved to deliver ambitions to build an integrated London-style transport network with a simplified, cheaper ticketing system. Part of this investment has gone towards the continued development towards a tap-and-go ticketing system, of which plans have progressed this financial year, with steps being taken towards ensuring the infrastructure and technology are in place ahead of launching the service at all Merseyrail stations.



## Rollout of Liverpool City Region's new Rolling Stock



LCR's new £500m fleet of publicly owned trains continued to be rolled-out during this financial year, with the Southport to Hunts Cross line being the final service in the roll-out. The new fleet of trains have been crowned 'Design, Engineering and Construction Project of the Year' at this year's National Transport Awards, with judges left "impressed and excited" by the project. This year also saw the opening of the brand new £80m station at Headbolt Lane station, a fully accessible station, served by pioneering battery-technology on the city

region's new trains. This is the first passenger rail service in the UK to be operated using battery-technology and opens up the opportunity of future expansion of the network beyond the city region. Over 20,000 people in the Northwood and Shevington areas of Kirkby are set to benefit from having the new rail service on their doorstep.

## Bus franchising got the go ahead following formal public consultation

Following a formal consultation with local residents, businesses, trade unions and stakeholders (in which more than 6,000 people took part), plans to introduce bus franchising within the LCR got the 'go ahead'. Franchising will offer the best opportunity for the LCRCA to deliver on its ambitions for quick and reliable journeys, a comprehensive integrated bus network, simpler ticketing, great value fares and an emission free fleet, as set out in its Bus Service Improvement Plan. With the borough of St Helens set to be the first in the region to see franchised services, a four-week public engagement was launched towards the end of this year, with almost 850 people responding. Residents were invited to give feedback on bus connections they would like to see and potential future improvements to the network that might encourage them to use buses more frequently.



## Mersey Ferries had a successful year for sales

Mersey Ferries experienced continued success of its River Explorer Cruise, following a boost in visitors to the popular attraction. Tickets sales increased by more than 12% in Summer 2023, beating those of pre-pandemic levels, and securing the iconic Ferries as a 'must see' in the Liverpool City Region. This year, it was also announced that the first new Mersey Ferry for more than 60 years will be built entirely within the Liverpool City Region, after more than a year of detailed negotiations between the Combined Authority and Cammell Laird that will see the new vessel being constructed solely at the firm's Birkenhead shipyard.



## Priority 5: A Vibrant City Region

### Development of a Spatial Development Strategy continued



Stage 3 of the development of a Spatial Development Strategy (SDS) was undertaken this year. Approximately 250 members of the public and representative organisations provided feedback on "Towards a Spatial Development Strategy for the Liverpool City Region up to 2040" via an online survey. Qualitative insight was also gathered from Liverpool City Region Combined Authority Equalities Panels (Disability, LGBTQI+, Race Equality and Women), The Liverpool City Region Youth Combined Authority (YCA) and four roadshow events in Knowsley hosted by Knowsley Older People's Voice.

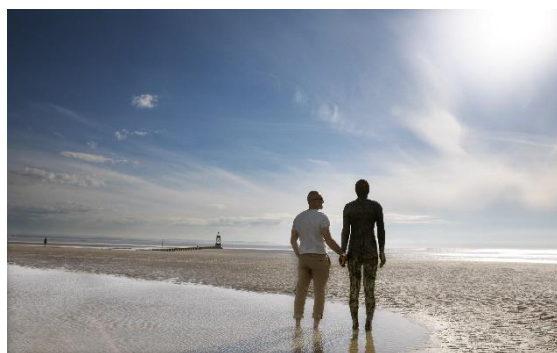
### Eurovision provided economic boost to city region

In May 2023, the Liverpool City Region hosted the Eurovision Song Contest. An independent evaluation revealed that in total 473,000 people attended Eurovision events in the city, with 250,000 people attending the official Eurovision Village at Pier Head across the 10 days it was open, with the ticketed final selling out within hours. An additional 306,000 visitors headed to Liverpool to be part of the celebrations. The contest boosted the Liverpool City Region economy by £54.8million, with restaurants, accommodation providers, shops, bars and transport networks all benefitting. For example, in May 2023, 175,000 city centre hotel rooms were sold– the best month on record since 2018.



## Local Visitor Economy Partnership programme

In April 2023, VisitEngland approved the LCR to be one of the first Local Visitor Economy Partnerships (LVEPs) in the country. The LVEP provides an important opportunity to collaborate between local government, tourism organisations, business associations, and key stakeholders dedicated to promoting and enhancing the city region's visitor economy. A LVEP Board, chaired by Lord Tony Hall, Baron Hall of Birkenhead, CBE, and Director General of the BBC from 2013-2022, has been established to harness the potential and shape the strategic vision of the LVEP.



## Financial Outlook and Challenges

As part of budget setting for 2024/25, the medium term financial plan was updated to push the outlook for projections out to 2028/29, 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 26 January 2024, the Combined Authority approved a revenue budget of £241.9m for 2024/25 and on 15 March 2024, the 2024/25 capital programme totalling £232.8m.

In setting a balanced budget for 2024/25, a 2.95% increase to the Transport Levy was proposed and approved. The budget included £3.9m of savings, which included those identified as part of a programme of business transformation and modernisation. The savings focus on business systems and processes, economies of scale in our senior management structures, better commissioning and achieving financial gains from tighter procurement. By focussing on these areas, we are confident that these savings can be achieved without impact on services to our customers and stakeholders. Whilst the Combined Authority has set a balanced budget for 2024/25, the position over the medium term remains challenging; without further action being taken, there would be a net budget requirement of £4.1m in 2025/26 rising to £23.9m in 2028/29.

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.

Current economic conditions do present a number of financial challenges and risks to the Combined Authority which it will need to manage during 2024/25 and beyond. The high levels of inflation in previous years have 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 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

The Combined Authority is working to update its Corporate Plan to cover the period 2024-2028.

The Combined Authority plays a central role in the economic development of our region. We are seizing the unique opportunity to use our devolved powers and funding to shape this city region's economy so that it creates wealth and prosperity for all our 1.6m residents and contributes to achieving true levelling up for the North.

Growing the city region's economy is at the centre of the Corporate Plan. We are proud of the progress we have made but we want to achieve more, using the quality of our unique place to further bolster our economic success. We want the Liverpool City Region to continue to innovate, to compete even more successfully on the global stage, to attract ever more skilled workers, visitors and investment.

Transport and digital infrastructure underpin and power a successful economy, and we want to continue to invest to deliver world class infrastructure that supports our aims for economy, people and place.

The Combined Authority was the first to declare a climate emergency, in 2019, with an ambitious target to reach Net Zero by 2040. Investment in public transport and retrofitting homes plays a key role in helping to achieve this target. We will continue to work with local communities to enable them to take local action.

The Combined Authority is committed to embedding equality, diversity and inclusion as an underpinning principle within all its work. Through the Race Equality Hub the Combined Authority will target employment inequalities and remove barriers in the labour market for people from Black, Asian, and Minority Ethnic backgrounds through a focus on training, employment support and business assistance.

## 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 2024. These accounts are completed in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24. 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 2023/24, 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.

## 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 Auditor's 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 2024



## 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 Authority, 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"). 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 2024 and its income and expenditure for the year ended 31 March 2024.



John Fogarty (CPFA)  
Executive Director Corporate Services  
31 May 2024

# ANNUAL GOVERNANCE STATEMENT 2023/24

## 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 “Delivering Good Governance in Local Government” (CIPFA/SOLACE, 2016), fulfils this requirement.

The definition used by the guidance states:

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

The Annual Governance Statement 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 described has been in place at the Combined Authority for the year ended 31 March 2024 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 establishing effective 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 “Delivering Good Governance in Local Government” (CIPFA/SOLACE 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 the 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.

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.

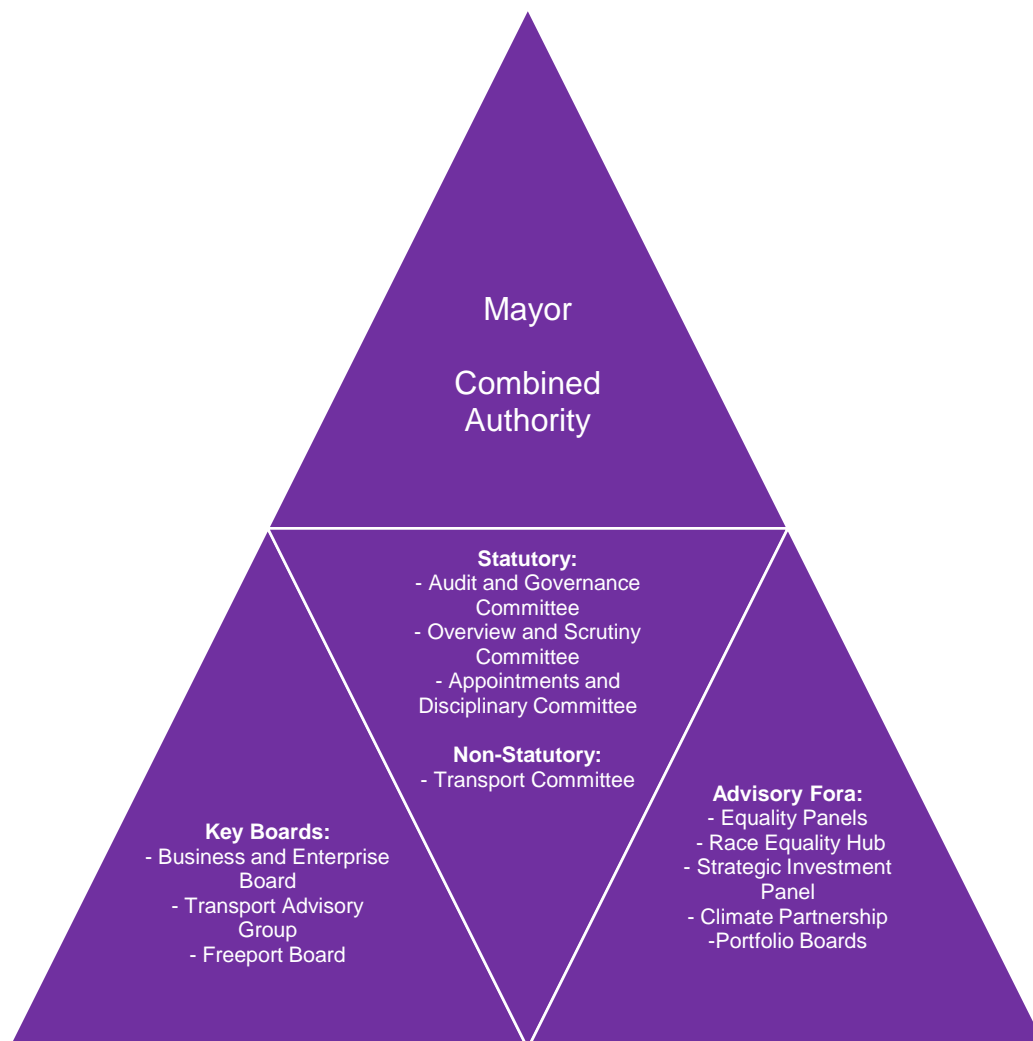
The Combined Authority sets the budget for Merseytravel and is responsible for key transport policies. Merseytravel is responsible for the implementation of the Combined Authority's policies and, under the Transport Act 1968, retains its status as a distinct statutory body. Despite its separate statutory status, for all practical purposes, there is little distinction between the Combined Authority and Merseytravel. Some of the Executive Directors of the

Combined Authority are also the Director General and 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.

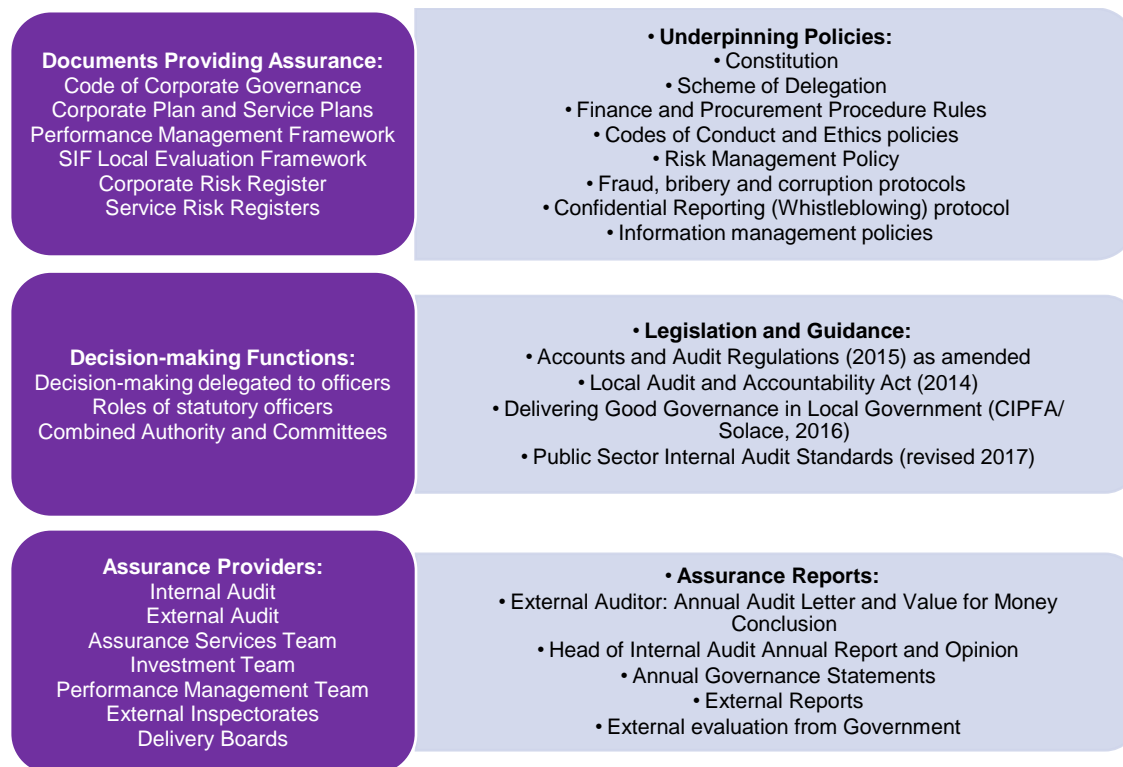
The Combined Authority has been on a path to converge with the Local Enterprise Partnership (LEP) since the “Review of Local Enterprise Partnership governance and transparency” (known as the Ney Review) in 2019. At its meeting on 28 April 2023, the Combined Authority approved plans to integrate the work of the LEP into the Liverpool City Region Combined Authority, initially via the Growth Platform and this was effected from June 2023. Staff will transfer to the Combined Authority’s employment with effect from 1 April 2024.

The LCR’s Business and Enterprise Board (BEB) was established in 2023, taking over the role of the LEP in providing a voice for business in the Liverpool City Region. Its overarching purpose is to articulate business views about the main economic opportunities and challenges facing the City Region so they can be reflected in policy priorities, especially those in industry clusters (advanced manufacturing, creative and digital, health and life science) that will be of critical importance to the future success of the City Region economy. The BEB adopts a strategic advisory role to the Combined Authority, in particular, informing the development of the economic strategy for the City Region.

The following diagram summarises the key elements of the governance framework for Combined Authority (incorporating Merseytravel) in 2023/24:



The key sources of assurance are:



## 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 CIPFA/SOLACE guidance sets out the following seven core principles of good governance:



The Combined Authority aims to achieve good standards of governance by adhering to the seven core principles, which form the basis of the Code of Corporate Governance.

The Combined Authority has conducted a review of its effectiveness against each of these 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 December 2023; and a revised Officer Code of Conduct was approved in June 2021. Feedback from managers indicates an improved level of awareness of the Code.

A joint Code of Corporate Governance, including the Seven Principles of Public Life (the “Nolan Principles”), was updated, approved, and relaunched to all employees in June 2021.

Understanding and awareness of the Nolan Principles has improved in recent years; and there continues to be a focus to ensure the principles are embedded.

New employee induction “marketplaces” provide an opportunity to hear about the relevance of the Nolan Principles in the context of delivering the Corporate Plan and how these align with the organisation’s behaviours. These are held bi-monthly and are open to all new starters, those returning to the organisation as well as any employee who wishes to attend.

Managers across the organisation reported positive awareness by employees of the organisation’s corporate behaviours.

Legal advice is sought where required; no legal challenges were received in the year.

The Gifts, Hospitality and Declarations of Interest Procedure has been issued to employees via the policy delivery software. This is also held on the corporate intranet, along with the declaration forms and an annual reminder is sent to employees to complete declarations. Improvements are necessary to ensure that there is monitoring to provide assurance that all required declarations have been submitted.

The declaration of potential conflicts of interest is also a mandatory element of the procurement process.

The quality of, and compliance with, Equality Impact Assessment obligations have continued to improve during the year with the publication of guidance to assist officers, mandatory training for managers and the creation of a central review function.

The Combined Authority has continued to develop its approach to its social value responsibilities during the year. This has been supported by the delivery of mandatory training for managers and the incorporation of social value in procurement exercises. It is planned that measuring the achievement of social value will become more prominent in contract management in the forthcoming year, with the introduction of a framework based upon the national TOMs – Themes, Outcomes and Measures – a framework for delivering excellence in measuring and reporting social value.

## 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), Policy Leads (monthly), Portfolio Holders (quarterly), Chief Executives (fortnightly), Leaders (fortnightly) and external stakeholders more broadly.

Delivery Boards are officer groups in place across all Combined Authority areas of delivery, and these have met regularly during the year, supporting decision-making on key projects.

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 Freeport Board contains public and private sector representation, and the organisation continues to work collaboratively and in partnership with Local Authorities and a variety of stakeholders to deliver the benefits that Freeports will bring, including ensuring that social value, inclusive growth, and zero-carbon obligations are fully reflected. During the year, positive discussions with government have continued, in relation to topics such as the Annual Conversation, Security and Illicit Activity and Assurance.

In the Chancellor's Spring Budget of 2023, it was announced that the Liverpool City Region has been designated as an Investment Zone. During the year, the development of the Zone, which will focus on Life Sciences, has continued and the development of schemes, in consultation with key stakeholders, to support inward investment is ongoing.

During the year, plans for bus reform continued, with completion of the statutory consultation with communities and passengers, culminating in the decision, taken by the Combined Authority and the Mayor in October 2023, to pursue the franchising model.

The compilation of the Local Transport Plan continued, using the feedback from the extensive consultation on the Vision and Goals document conducted in 2022/23. A further consultation on the draft Plan is due to be undertaken in 2024/25, once the Government guidance has been published, in advance of the final document being presented for Combined Authority approval later in that year.

An extensive public consultation exercise was conducted during the year on the draft Spatial Development Strategy, a document that sets out the potential for development in the City Region until 2040. The plan sets out how future development can contribute to the region's overarching objectives, such as decarbonisation, tackling health inequalities and building an inclusive economy. Once finalised, it will be used alongside Local Plans produced by the constituent local authorities to shape and make decisions on local planning applications.

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, which were launched in January 2023. The panels cover gender, race, disability and LGBTQIA+. The Panels reflect the diversity of the City Region, with broad representation across protected characteristics and localities. The panels have met regularly during the year, including at an Away Day in February 2024. The Mayor and Chief Executive meet bi-annually with Panel Chairs to give and receive feedback, share views and set direction.

During the year, the Panels considered items of policy development in the following areas:

- Spatial Development Strategy
- Bus Reform
- Investment Zones
- Long Term Skills Plan
- Accessibility Guidance
- Positive Recruitment
- Neurodiversity.

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 addressing racial inequalities. The Race Equality Hub was launched in March 2024. The Hub will support employers, businesses and individuals to enable Black, Asian and Minority Ethnic people to thrive, creating sustainable employment opportunities and growing businesses. Partner organisations have been engaged and all have pledged to work with the Hub to help tackle racial inequality in the City Region and to support the economic advancement of Black, Asian and Minority Ethnic communities. The Hub is the product of extensive engagement and co-design with Black, Asian and Minority Ethnic communities to establish how the Hub could make the biggest impact.

During the year, the Combined Authority also administered a stakeholder survey and carried out interviews with key strategic stakeholders to inform the Mid-Term Report, which is part of the Combined Authority's second Gateway Review - the five yearly National Evaluation of the Strategic Investment Fund. The consultation sought views on the extent to which there are improved structures for economic development within the Liverpool City Region; more regular engagement of regional stakeholders; enhanced capacity and capability within the Combined Authority; increased use of evidence in project and strategy development; improved partnership working; and more strategic decision-making. Feedback received from the Academic Panel who reviewed the report was very positive, both in terms of the competent and robust approach to monitoring and evaluation in the Combined Authority, but also in terms of evidence of progress particularly with regard to improved joint working.

Regular briefings are held with elected members; in addition to elected member development sessions. Elected member queries are responded to within an appropriate timescale. Minutes of relevant meetings and rationale to support decisions are made available to stakeholders. Boards are also in place for each elected member portfolio to develop elected 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 must be included within Committee reports. Reporting key aspects of organisational performance to elected members has also continued during the year. The revised template for reports that has been introduced focuses the author's mind upon each of these key areas.

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 Liverpool City Region National Local Governance Assurance Framework was updated and approved in January 2022. (A further review of the Assurance Framework is underway to reflect the arrangements arising from the changes to the Local Enterprise Partnership's (LEP) governance during the year.)

The aim of the Assurance Framework is to set out how the Combined Authority makes 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 Government as well as to the residents of the City Region. The external Investment Panel is in place to support the application of the Assurance Framework and to provide challenge. The panel has undergone a refresh in early 2024, recruiting several new members, which will further strengthen its role in the assurance process.

Supporting the Assurance Framework is the Investment Strategy, which was updated during the year. The Strategy details how projects will need to demonstrate their contribution to the net zero carbon; social value; and equality, diversity and inclusion agendas, to progress.

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 and Merseytravel activity. The five-year Net Zero Action Plan was approved by the Combined Authority in July 2023, 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 has made positive progress during the year. The key projects include decarbonisation of public buildings, retrofit of energy efficiency measures to homes across the City Region, and the continued decarbonisation of public transport.

Work on the Tidal Energy project has continued, and in March 2024 the Combined Authority took the decision to progress the project to the formal development stage.

Considerable progress has been made towards the City Region's ambition for sustainable hydrogen fuel technology both in terms of the investment strategy and in direct procurement. The City Region has taken delivery of a fleet of twenty hydrogen buses, and these are progressing towards roll-out in 2024/25.

In March 2024, the Combined Authority was successful in achieving Zero Emission Bus Regional Area (ZEBRA) funding, which will be used to fund the purchase of electric-powered buses.

Considerable progress continues to be made in respect of Active Travel, including the continued development of improved cycling, walking and wheeling infrastructure.

The roll-out of new trains continued during the year, with the objective that the whole fleet will be in service during 2024/25. This marks a significant milestone in this key strategic project.

The integration of social and environmental considerations into broader aspects of Combined Authority activity is demonstrated by the work undertaken on the Freeport submission which as well as encompassing commercial and economic analysis, has also included social value, zero carbon and fairer charging controls within the approved Full Business Case. Following the approval of the Business Case in December 2022, work is ongoing to embed these principles into the Freeport delivery model, as the model becomes operational.

## 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.

Considerable work was undertaken during the year to develop the overarching monitoring and evaluation framework for the Combined Authority. This is a key part of the Assurance Framework. There are also specific monitoring and evaluation frameworks in place for dedicated funding streams such as Gainshare and the UK Shared Prosperity Fund, which reflect their specific requirements. The Frameworks outline a range of measures for monitoring and reporting on results; and evaluating the outcomes and impact of the Combined Authority's investment activities both as projects are being delivered and once these have concluded. This intelligence will be used to inform decision-making relating to both future policy and intervention design.

Training and workshops on risk management took place to develop the level of organisational understanding of implications and risks associated with decision-making.

Legal and financial implications are considered as part of the decision-making process. This has strengthened during the year with the continued use of the revised Committee report template, which supports transparency and consistency, and the delivery of training to managers on decision-making and report-writing.

The Combined Authority recommended, and the Mayor took the decision, in October 2023 to pursue franchising as its delivery model for bus reform. During 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.

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.

In March 2024, Government announced that the Combined Authority has attained Level 4 devolution status. This demonstrates confidence in the Combined Authority's capacity and capability to deliver and will provide further funding freedom and flexibility which will extend the interventions available to the Combined Authority to meet the Corporate Plan objectives.

The Combined Authority manages significant devolved funds in a number of its key programmes, including Adult Education Budget, Housing First and Households into Work.

The integration of the Local Enterprise Partnership (LEP) functions into the Combined Authority during the year facilitates greater responsiveness to "hear the voice of business", which is key in shaping the Authority's investment decisions in a way that supports business growth and prosperity.

## Core Principle E: Developing capacity and capability, including the capacity of its leadership and the individuals within it

Capacity continues to be developed across the Combined Authority with particular focus on accelerating delivery. Allied to this, an area of continued focus of attention is the work supporting each constituent Local Authority in its capacity to deliver, particularly at the pre-development stages of projects.

Having a pipeline of schemes and the organisational capacity to deliver continues to be critical to the Combined Authority's ability to meet its obligations under its Devolution Deal.

The successful bid for Level 4 Devolution was seen as a vindication of the Combined Authority's ability to meet its obligations and ensuring that the Combined Authority can deliver these new devolution requirements and opportunities 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. This is because funding is often only available on a bidding basis and not as a single settlement.

During the year, the organisation has made significant progress in implementing "In Shape to Deliver" - the Combined Authority's internal business transformation programme. The programme aims to deliver efficiencies which will create financial savings and support the creation of additional organisational capacity. A main strand of the programme is the implementation of a streamlined HR system, as well as examination of administrative processes to identify opportunities to create capacity, and developments within the Asset Management function.

It has been identified that some role descriptions are not up to date. Where this arises from organisational transformation, this will be reviewed as part of the transformation process. Otherwise, these will be subject to continuous review, and annually as part of the Individual Performance Planning (IPP) process.

The organisation has a database of its policies which is accessible to employees. This is used to disseminate new and updated policies, encompassing the ability to monitor acceptance rates, and to function as a source of reference for employees.

Acceptance rates of organisational policies have improved; and acceptance rates overall are high at 91%. However, there is greater clarity required as to what constitutes a key corporate policy. A number of policies are also overdue and require review and updating, and this will need to be addressed in 2024/25.

There is a defined programme of corporate e-learning, which covers key responsibilities. All employees are required to complete the following: Health and Safety Introduction, Cyber Crime, Equality in the Workplace, Fraud Awareness, Fire Safety, Introduction to General Data Protection Regulation (GDPR) and Freedom of Information (FOI). Completion rates for e-learning across the organisation continue to improve; however, there is a small number of employees who have not completed each of the mandatory modules. Systems are being developed to improve information for senior managers on the level of completion of training, to enable targeted follow-up of non-completion.

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. In addition, a programme of “Management Essentials” training, mandatory for all those in management roles, has been introduced, covering key skills required by managers.

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

An Employee Survey was conducted during the year. The surveys are facilitated by an external provider, which enables comparison and benchmarking with other organisations. This resulted in a higher overall score from the last survey conducted in Summer 2022, moving from “One to Watch” to a one star “Very Good” rating. Actions continue to be progressed to address the findings.

IPPs are undertaken annually, and these identify training needs. Training needs identified from the IPP process are not always addressed in a timely manner, and this continues to be a priority.

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

Elected 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. 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, and support is in place via the Employee Assistance Programme. Health and safety risk assessments are in place.

Display Screen Equipment (DSE) risk assessments are completed for office and home working, reflecting the hybrid working model adopted by many employees.

It is a continued focus that all employees are aware of cybercrime risk via completing the relevant training.

An area for continued focus is maintaining, developing, and testing business continuity arrangements, and ensuring business continuity plans are updated to reflect changes in the organisation and the outcomes of testing exercises. During the year, the Emergency Planning College delivered a comprehensive programme of business continuity training to the Senior Leadership Team and members of the internal Resilience Group. Business continuity arrangements are being further reviewed and developed as a result, and testing of business continuity plans has been undertaken during the year.

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

The Executive Leadership Team maintains the Corporate Risk Register, and this has been reviewed regularly during the year. 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 increasing to confirm these roles and responsibilities are becoming embedded, and there is much greater understanding of risk at all levels.

The Risk Group continues to support the process; engaging with Risk Champions from across the organisation to discuss key current and emerging risks.

Considerable progress has been made to ensure the availability of service risk registers; however, work is still required to ensure that the content of each register meets minimum expectations and is reviewed on a regular basis.

Risk should be included 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, but this needs to be developed so that less intervention is required.

During the year, work was undertaken to develop and embed a more consistent approach to the reporting of corporate performance, and the outputs and outcomes arising from investment projects and programmes. A streamlined performance indicator framework has been introduced which provides key data for quarterly reporting to the Executive Leadership Team and elected members.

Fraud awareness training is available as an e-learning package, which has been completed by 86% 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.

Fraud risk sessions were delivered during the year as part of the campaign for International Fraud Awareness Week 2023, and an internal Counter-Fraud Hub group was incepted during the year to continue to increase fraud risk awareness.

During the year, a self-assessment against the "Code of Practice on Managing the Risk of Fraud and Corruption in Local Government" (CIPFA, 2014) was undertaken. The self-assessment indicated 84% compliance with its requirements – which means that the organisation is meeting the standard set out in the guidance. One of the fundamental areas of focus arising from the assessment in the coming year is the need for the organisation to continue to identify and assess its fraud risks and ensure that appropriate measures are in place to manage these risks.

A self-assessment was undertaken in relation to the role of the Chief Financial Officer, reviewing assurance over compliance with the governance requirements detailed in “The Role of the Chief Financial Officer in Local Government” (CIPFA, 2016). The positive responses provided highlighted that key controls have operated effectively during the year.

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

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” (Public Services Network, April 2018). Proactive steps continue to be taken to strengthen arrangements across the organisation further.

There was a small number of data breaches reported during the year. One of these related to a cyber-attack of an external provider and was reportable to the Office of the Information Commissioner, but no enforcement action was necessary. 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.

## 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.

Steps are taken to monitor customer complaints or other feedback and use this to inform the provision of services.

The Combined Authority publishes on its website freedom of information requests received and responses provided. 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/Data Protection requests during the year were responded to within statutory deadlines.

The Overview and Scrutiny Committee has operated during the year. In contrast to previous years, most of its meetings have been quorate, due to the actions of officers (including the Statutory Scrutiny Officer) and elected members in addressing this as part of good governance and accommodating the requirements and opportunities of Level 4 Devolution. There is still a risk of inquoracy of this Committee (in common with other Combined Authority areas) due to the high attendance threshold required. The one inquorate meeting still took place with issues being debated. This has provided additional assurance in scrutinising decisions of the Combined Authority.

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 undertook a review of its effectiveness during the year, which has identified areas of good practice and areas for development. This review will be reflected in the Annual Report of the Committee and will be repeated on an annual basis in line with "Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2022).

During the year, steps have been taken to ensure that outstanding Internal Audit recommendations are implemented, and significant improvements have been evident. There has been continued improvement in engagement in Internal Audit work during the year, supported by regular presentations by the Head of Internal Audit to the Executive Leadership Team on work undertaken, outcomes and recommendation progress.

A self-assessment has been undertaken in relation to compliance with the governance requirements detailed in "The Role of the Head of Internal Audit in Public Sector Organisations" (CIPFA, 2019). The positive responses provided highlighted that key

controls have operated effectively during the year. The Internal Audit service continues to comply with the Public Sector Internal Audit Standards.

The external auditor has provided the Value for Money Conclusion in respect of two prior years: 2021/22 and 2022/23. The conclusion was that these did not identify any significant weaknesses in value for money arrangements.

The Head of Internal Audit's opinion for 2023/24 was that the Combined Authority's arrangements for internal control, risk management and governance are adequate and that the capacity for improvement is good.

## 6. SIGNIFICANT GOVERNANCE ISSUES FROM AGS 2022/23

There were no significant governance issues reported in the Annual Governance Statement 2022/23.

## 7. SIGNIFICANT GOVERNANCE ISSUES

This Annual Governance Statement identifies that the Combined Authority has effective arrangements in place; however, the organisation recognises 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, areas for development and focus have been outlined above and appropriate action is being taken to ensure these do not contribute to a future Significant Governance Issue.

## 8. CONCLUSION

The Combined Authority is satisfied that appropriate governance arrangements are in place and that the governance arrangements in place in 2023/24 were appropriate to its resources and responsibilities in that year.

The arrangements in place in 2023/24 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.

The Combined Authority proposes, over the coming year, to take the necessary steps to address the issues highlighted within this Statement, to enhance the governance arrangements further.

## 9. CERTIFICATION



**Katherine Fairclough**  
Chief Executive



**Steve Rotheram**  
Mayor of the Liverpool City Region

A handwritten signature in black ink that reads "K. Fairclough".

A handwritten signature in black ink that reads "Steve Rotheram".

**INDEPENDENT AUDITOR'S 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.

**2023/24**

	Usable Reserves £'000			Unusable Reserves £'000					Total Group Reserves £'000	Group Share of Joint Venture £'000	Total 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
<b>As at 1st April 2023</b>	<b>22,717</b>	<b>236,069</b>	<b>258,786</b>	<b>33,696</b>	<b>75,517</b>	<b>13,865</b>	<b>(805)</b>	<b>(251)</b>	<b>122,023</b>	<b>380,809</b>	<b>(2,183)</b>	<b>378,626</b>
<b>Comprehensive Income and Expenditure Statement (CIES)</b>	37,898	0	37,898	9,650	0	17,875	0	0	27,525	65,423	(1,503)	63,920
<b>Adjustments to the revenue resources*</b>												
Pensions costs	(292)	0	(292)	0	0	292	0	0	292	0	0	0
Holiday pay	189	0	189	0	0	0	(189)	0	(189)	0	0	0
Charges for depreciation and amortisation of non-current assets	17,223	0	17,223	0	(17,223)	0	0	0	(17,223)	0	0	0
PPE Revaluation losses charged to the CIES	293	0	293	0	(293)	0	0	0	(293)	0	0	0
Net gain or loss on sale of non-current assets	(19)	0	(19)	0	19	0	0	0	19	0	0	0
Revenue expenditure funded from capital under statute	187,308	0	187,308	0	(187,308)	0	0	0	(187,308)	0	0	0
Difference in precept income	2	0	2	0	0	0	0	(2)	(2)	0	0	0
Capital grants and contributions credited to the CIES	(194,949)	0	(194,949)	0	194,949	0	0	0	194,949	0	0	0
<b>Total adjustments to revenue resources</b>	<b>9,755</b>	<b>0</b>	<b>9,755</b>	<b>0</b>	<b>(9,855)</b>	<b>292</b>	<b>(189)</b>	<b>(2)</b>	<b>(9,755)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments between revenue and capital resources:</b>												
Statutory provision for the repayment of debt	(11,398)	0	(11,398)	0	11,398	0	0	0	11,398	0	0	0
Capital expenditure financed from revenue balances	(3,495)	0	(3,495)	0	3,495	0	0	0	3,495	0	0	0
<b>Total adjustments between revenue and capital resources</b>	<b>(14,893)</b>	<b>0</b>	<b>(14,893)</b>	<b>0</b>	<b>14,893</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,893</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments to capital resources</b>												
Capital Receipts	0	1,072	1,072	0	(1,072)	0	0	0	(1,072)	0	0	0
Use of capital receipts to finance capital expenditure	0	(84)	(84)	0	84	0	0	0	84	0	0	0
Use of reserves to finance capital expenditure	0	(1,107)	(1,107)	0	1,107	0	0	0	1,107	0	0	0
Difference between fair value and historical cost depreciation	0	0	0	(1,211)	1,211	0	0	0	0	0	0	0
<b>Total adjustments to capital resources</b>	<b>0</b>	<b>(119)</b>	<b>(119)</b>	<b>(1,211)</b>	<b>1,330</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>119</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfer between reserves	(26,049)	26,049	0	0	0	0	0	0	0	0	0	0
<b>Net Increase/(Decrease) in 2023/24</b>	<b>6,710</b>	<b>25,930</b>	<b>32,640</b>	<b>8,439</b>	<b>6,368</b>	<b>18,167</b>	<b>(189)</b>	<b>(2)</b>	<b>32,783</b>	<b>65,423</b>	<b>(1,503)</b>	<b>63,920</b>
<b>Balance as at 31st March 2024</b>	<b>29,427</b>	<b>262,000</b>	<b>291,427</b>	<b>42,135</b>	<b>81,885</b>	<b>32,031</b>	<b>(995)</b>	<b>(253)</b>	<b>154,804</b>	<b>446,231</b>	<b>(3,686)</b>	<b>442,545</b>

\*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

2022/23

	Usable Reserves £'000			Unusable Reserves £'000						Total Group Reserves £'000	Group Share of Joint Venture £'000	Total 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			
<b>As at 1st April 2022</b>	<b>11,667</b>	<b>223,583</b>	<b>235,250</b>	<b>27,689</b>	<b>124,865</b>	<b>(96,955)</b>	<b>(796)</b>	<b>(292)</b>	<b>54,511</b>	<b>289,762</b>	<b>(827)</b>	<b>288,934</b>
<b>Comprehensive Income and Expenditure Statement (CIES)</b>	(36,901)	0	(36,901)	6,927	0	121,023	0	0	127,950	91,049	(1,356)	89,693
<b>Adjustments to the revenue resources*</b>												
Pensions costs	10,203	0	10,203	0	0	(10,203)	0	0	(10,203)	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
<b>Total adjustments to revenue resources</b>	<b>70,040</b>	<b>233</b>	<b>70,273</b>	<b>0</b>	<b>(60,102)</b>	<b>(10,203)</b>	<b>(10)</b>	<b>41</b>	<b>(70,273)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments between revenue and capital resources:</b>												
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
<b>Total adjustments between revenue and capital resources</b>	<b>(10,835)</b>	<b>0</b>	<b>(10,835)</b>	<b>0</b>	<b>10,835</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,835</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments to capital resources</b>												
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
Use of reserves to finance capital expenditure	0	(1,544)	(1,544)	0	1,544	0	0	0	1,544	0	0	0
Difference between fair value and historical cost depreciation	0	0	0	(919)	919	0	0	0	0	0	0	0
<b>Total adjustments to capital resources</b>	<b>0</b>	<b>1,001</b>	<b>1,001</b>	<b>(919)</b>	<b>(82)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,001)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfer between reserves	(11,253)	11,253	0	0	0	0	0	0	0	0	0	0
<b>Net Increase/(Decrease) in 2022/23</b>	<b>11,050</b>	<b>12,486</b>	<b>23,537</b>	<b>6,008</b>	<b>(49,348)</b>	<b>110,820</b>	<b>(10)</b>	<b>41</b>	<b>67,511</b>	<b>91,049</b>	<b>(1,356)</b>	<b>89,693</b>
<b>Balance as at 31st March 2023</b>	<b>22,717</b>	<b>236,069</b>	<b>258,786</b>	<b>33,696</b>	<b>75,517</b>	<b>13,865</b>	<b>(805)</b>	<b>(251)</b>	<b>122,023</b>	<b>380,809</b>	<b>(2,183)</b>	<b>378,626</b>

\*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

2023/24

	Usable Reserves £'000			Unusable Reserves £'000					Total 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
<b>As at 1st April 2023</b>	<b>14,505</b>	<b>179,588</b>	<b>194,093</b>	<b>320</b>	<b>(317,620)</b>	<b>(1,495)</b>	<b>(358)</b>	<b>(250)</b>	<b>(319,403)</b>	<b>(125,310)</b>
<b>Comprehensive Income and Expenditure Statement (CIES)</b>	<b>9,260</b>	<b>0</b>	<b>9,260</b>	<b>242</b>	<b>0</b>	<b>3,028</b>	<b>0</b>	<b>0</b>	<b>3,270</b>	<b>12,530</b>
<b>Adjustments to the revenue resources*</b>										
Pensions costs	(80)	0	(80)	0	0	80	0	0	80	0
Holiday pay	280	0	280	0	0	0	(280)	0	(280)	0
Charges for depreciation and amortisation of non-current assets	8,595	0	8,595	0	(8,595)	0	0	0	(8,595)	0
Net gain or loss on sale of non-current assets	(19)	0	(19)	0	19	0	0	0	19	0
Difference in precept income	2	0	2	0	0	0	0	(2)	(2)	0
Revenue expenditure funded from capital under statute	212,271	0	212,271	0	(212,271)	0	0	0	(212,271)	0
Capital grants and contributions credited to the CIES	(191,446)	0	(191,446)	0	191,446	0	0	0	191,446	0
<b>Total adjustments to revenue resources</b>	<b>29,603</b>	<b>0</b>	<b>29,602</b>	<b>0</b>	<b>(29,401)</b>	<b>80</b>	<b>(280)</b>	<b>(2)</b>	<b>(29,603)</b>	<b>0</b>
<b>Adjustments between revenue and capital resources:</b>										
Statutory provision for the repayment of debt	(11,398)	0	(11,398)	0	11,398	0	0	0	11,398	0
Capital expenditure financed from revenue balances	(3,495)	0	(3,495)	0	3,495	0	0	0	3,495	0
<b>Total adjustments between revenue and capital resources</b>	<b>(14,893)</b>	<b>0</b>	<b>(14,893)</b>	<b>0</b>	<b>14,893</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,893</b>	<b>0</b>
<b>Adjustments to capital resources</b>										
Capital Receipts	0	1,072	1,072	0	(1,072)	0	0	0	(1,072)	0
Use of capital receipts to finance capital expenditure	0	(84)	(84)	0	84	0	0	0	84	0
Use of reserves to finance capital expenditure	0	(458)	(458)	0	458	0	0	0	458	0
Difference between fair value and historical cost depreciation	0	0	0	(6)	6	0	0	0	0	0
<b>Total adjustments to capital resources</b>	<b>0</b>	<b>530</b>	<b>530</b>	<b>(6)</b>	<b>(524)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(530)</b>	<b>0</b>
Transfer between reserves	(16,175)	16,175	0	0	0	0	0	0	0	0
<b>Net Increase/(Decrease) in 2023/24</b>	<b>7,795</b>	<b>16,705</b>	<b>24,499</b>	<b>236</b>	<b>(15,032)</b>	<b>3,108</b>	<b>(280)</b>	<b>(2)</b>	<b>(11,970)</b>	<b>12,530</b>
<b>Balance as at 31st March 2024</b>	<b>22,301</b>	<b>196,293</b>	<b>218,594</b>	<b>556</b>	<b>(332,652)</b>	<b>1,613</b>	<b>(638)</b>	<b>(253)</b>	<b>(331,373)</b>	<b>(112,779)</b>

\*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						Total 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	
<b>As at 1st April 2022</b>	<b>7,114</b>	<b>168,597</b>	<b>175,712</b>	<b>327</b>	<b>(242,651)</b>	<b>(14,943)</b>	<b>(218)</b>	<b>(292)</b>	<b>(257,777)</b>	<b>(82,065)</b>
<b>Comprehensive Income and Expenditure Statement (CIES)</b>	<b>(59,876)</b>	<b>0</b>	<b>(59,876)</b>	<b>0</b>	<b>0</b>	<b>16,632</b>	<b>0</b>	<b>0</b>	<b>16,632</b>	<b>(43,244)</b>
<b>Adjustments to the revenue resources*</b>										
Pensions costs	3,184	0	<b>3,184</b>	0	0	(3,184)	0	0	<b>(3,184)</b>	<b>0</b>
Holiday pay	140	0	<b>140</b>	0	0	0	(140)	0	<b>(140)</b>	<b>0</b>
Charges for depreciation and amortisation of non-current assets	8,534	0	<b>8,534</b>	0	(8,534)	0	0	0	<b>(8,534)</b>	<b>0</b>
Net gain or loss on sale of non-current assets	(2)	233	<b>232</b>	0	(232)	0	0	0	<b>(232)</b>	<b>0</b>
Difference in precept income	(41)	0	<b>(41)</b>	0	0	0	0	41	<b>41</b>	<b>0</b>
Revenue expenditure funded from capital under statute	237,488	0	<b>237,488</b>	0	(237,488)	0	0	0	<b>(237,488)</b>	<b>0</b>
Capital grants and contributions credited to the CIES	(161,608)	0	<b>(161,608)</b>	0	161,608	0	0	0	<b>161,608</b>	<b>0</b>
<b>Total adjustments to revenue resources</b>	<b>87,694</b>	<b>233</b>	<b>87,928</b>	<b>0</b>	<b>(84,646)</b>	<b>(3,184)</b>	<b>(140)</b>	<b>41</b>	<b>(87,928)</b>	<b>0</b>
<b>Adjustments between revenue and capital resources:</b>										
Statutory provision for the repayment of debt	(4,748)	0	<b>(4,748)</b>	0	4,748	0	0	0	<b>4,748</b>	<b>0</b>
Capital expenditure financed from revenue balances	(6,087)	0	<b>(6,087)</b>	0	6,087	0	0	0	<b>6,087</b>	<b>0</b>
<b>Total adjustments between revenue and capital resources</b>	<b>(10,835)</b>	<b>0</b>	<b>(10,835)</b>	<b>0</b>	<b>10,835</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,835</b>	<b>0</b>
<b>Adjustments to capital resources</b>										
Capital Receipts	0	3,745	<b>3,745</b>	0	(3,745)	0	0	0	<b>(3,745)</b>	<b>0</b>
Use of capital receipts to finance capital expenditure	0	(1,200)	<b>(1,200)</b>	0	1,200	0	0	0	<b>1,200</b>	<b>0</b>
Use of reserves to finance capital expenditure	0	(1,380)	<b>(1,380)</b>	0	1,380	0	0	0	<b>1,380</b>	<b>0</b>
Difference between fair value and historical cost depreciation	0	0	<b>0</b>	(6)	6	0	0	0	<b>0</b>	<b>0</b>
<b>Total adjustments to capital resources</b>	<b>0</b>	<b>1,165</b>	<b>1,165</b>	<b>(6)</b>	<b>(1,159)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,165)</b>	<b>0</b>
Transfer between reserves	(9,593)	9,593	<b>0</b>	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Net Increase/(Decrease) in 2022/23</b>	<b>7,390</b>	<b>10,992</b>	<b>18,381</b>	<b>(6)</b>	<b>(74,969)</b>	<b>13,448</b>	<b>(140)</b>	<b>41</b>	<b>(61,625)</b>	<b>(43,244)</b>
<b>Balance as at 31st March 2023</b>	<b>14,505</b>	<b>179,588</b>	<b>194,093</b>	<b>320</b>	<b>(317,620)</b>	<b>(1,495)</b>	<b>(358)</b>	<b>(250)</b>	<b>(319,403)</b>	<b>(125,310)</b>

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

## 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 Movement in Reserves Statement.

2022/23 £'000				2023/24 £'000			Note
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
355,044	(270,689)	84,355	Place	357,665	(278,612)	79,053	
80,954	(76,065)	4,889	Investment & Delivery	88,968	(84,852)	4,116	
7,185	(1,372)	5,813	Policy, Strategy & Government Relations	7,195	(1,525)	5,670	
5,131	(218)	4,912	Corporate Services	6,360	(260)	6,100	
9,459	(216)	9,244	Corporate Development & Delivery	10,845	(172)	10,673	
6,139	(2,248)	3,891	Corporate Management & Corporate Costs	5,874	(1,744)	4,130	
175,827	(120,243)	55,583	SIF Payments to Partners	181,727	(163,755)	17,972	
<b>639,738</b>	<b>(471,051)</b>	<b>168,687</b>	<b>Net Cost of Services</b>	<b>658,634</b>	<b>(530,920)</b>	<b>127,714</b>	
		185	Other Operating Expenditure			202	7
		4,280	Financing and Investment Income			(10,558)	8
		(136,250)	Taxation and Non Specific Grant Income			(155,255)	10
		<b>36,901</b>	<b>(Surplus) or Deficit on the Provision of Services</b>			<b>(37,898)</b>	
		(121,023)	Remeasurement (Gains)/Losses on Pension Assets/Liabilities			(17,875)	9
		(6,927)	Surplus on Revaluation of Non Current Assets			(9,650)	
		1,356	Joint Venture accounted for on an Equity Basis			1,503	
		<b>(126,594)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(26,022)</b>	
		<b>(89,693)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(63,920)</b>	

## 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 Movement in Reserves Statement.

2022/23 £'000				2023/24 £'000			Note
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
157,591	(50,489)	107,102	Place	138,461	(46,932)	91,529	
80,954	(76,065)	4,889	Investment & Delivery	88,968	(84,852)	4,116	
7,185	(1,372)	5,813	Policy, Strategy & Government Relations	7,195	(1,525)	5,670	
5,131	(2,466)	2,664	Corporate Services	6,360	(2,928)	3,432	
9,459	(4,836)	4,624	Corporate Development & Delivery	10,845	(5,518)	5,327	
6,139	(2,248)	3,891	Corporate Management & Corporate Costs	5,874	(1,744)	4,130	
222,199	(166,616)	55,583	SIF Payments to Partners	230,561	(212,589)	17,972	
<b>488,657</b>	<b>(304,091)</b>	<b>184,566</b>	<b>Net Cost of Services</b>	<b>488,264</b>	<b>(356,088)</b>	<b>132,176</b>	
		62	Other Operating Expenditure			75	7
		1,766	Financing and Investment Income			(9,649)	8
		(126,518)	Taxation and Non Specific Grant Income			(131,862)	10
		<b>59,876</b>	<b>(Surplus) or Deficit on the Provision of Services</b>			<b>(9,260)</b>	
		(16,632)	Remeasurement (Gains)/Losses on Pension Assets/Liabilities			(3,028)	9
		0	Surplus on Revaluation Non Current Assets			(242)	
		<b>(16,632)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(3,270)</b>	
		<b>43,244</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(12,530)</b>	

## 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'.

As at 31 March 2023 £'000			As at 31 March 2024 £'000		Note
Group	Single Entity		Group	Single Entity	
684,642	260,031	Property, Plant and Equipment	718,495	265,608	17
1,161	450	Heritage Assets	1,161	450	19
4,072	50	Intangible Assets	5,345	57	18
1,503	4,008	Investment in Joint Venture	0	4,008	
3,367	3,367	Other long term Investments	3,367	3,367	
54,211	56,397	Long term Debtors	56,286	58,267	21
13,864	0	Net Pension Asset	32,031	1,613	9
<b>762,820</b>	<b>324,303</b>	<b>Long Term Assets</b>	<b>816,685</b>	<b>333,370</b>	
237,635	237,635	Short term Investments	223,751	223,751	27
1,016	0	Inventories	1,043	0	
54,452	20,878	Short term Debtors	43,283	12,369	22
104,195	104,057	Cash and Cash Equivalents	112,552	112,207	27
<b>397,298</b>	<b>362,570</b>	<b>Current Assets</b>	<b>380,629</b>	<b>348,327</b>	
(15,423)	(15,423)	Short term Borrowing	(15,494)	(15,494)	27
(180,342)	(218,497)	Short term Creditors	(151,169)	(195,892)	23
(25,731)	(23,373)	Provisions	(26,250)	(23,535)	26
(260,186)	(254,551)	Grant Receipts in Advance	(277,841)	(276,506)	11
<b>(481,682)</b>	<b>(511,844)</b>	<b>Current Liabilities</b>	<b>(470,754)</b>	<b>(511,427)</b>	
(2,012)	(1,046)	Long term Provisions	(2,012)	(1,046)	26
(292,398)	(292,398)	Long term Borrowing	(276,903)	(276,903)	27
0	(1,495)	Net Pension Liability	0	0	9
(5,400)	(5,400)	Other Long term Liabilities	(5,100)	(5,100)	25
<b>(299,810)</b>	<b>(300,339)</b>	<b>Long term Liabilities</b>	<b>(284,015)</b>	<b>(283,049)</b>	
<b>378,626</b>	<b>(125,310)</b>	<b>Net Assets/(Liabilities)</b>	<b>442,545</b>	<b>(112,779)</b>	
(258,786)	(194,093)	Usable Reserves	(291,427)	(218,594)	6
(122,023)	319,403	Unusable Reserves	(154,804)	331,373	5
2,183	0	Usable Reserves of Joint Venture	3,686	0	
<b>(378,626)</b>	<b>125,310</b>	<b>Total Reserves</b>	<b>(442,545)</b>	<b>112,779</b>	



Katherine Fairclough  
Chief Executive  
31 May 2024



John Fogarty (CPFA)  
Executive Director Corporate Services  
31 May 2024

## 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.

2022/23 £'000			2023/24 £'000		Note
Group	Single Entity		Group	Single Entity	
<b>(36,901)</b>	<b>(59,876)</b>	<b>Net surplus/(deficit) on the provision of services</b>	<b>37,898</b>	<b>9,260</b>	
122,351	113,203	Adjustments to net deficit on the provision of services for non-cash movements	16,296	15,672	28
(20,924)	(11,191)	Adjustments to net deficit on the provision of services for items which are investing and financing activities	(36,646)	(13,253)	28
<b>64,526</b>	<b>42,136</b>	<b>Net cash inflows from Operating Activities</b>	<b>17,548</b>	<b>11,679</b>	
(13,314)	9,059	Investing activities	6,233	11,895	28
(15,791)	(15,791)	Financing activities	(15,424)	(15,424)	28
<b>35,421</b>	<b>35,404</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8,357</b>	<b>8,150</b>	
68,774	68,653	Cash and cash equivalents as at 1 April	104,195	104,057	27
<b>104,195</b>	<b>104,057</b>	<b>Cash and cash equivalents as at 31 March</b>	<b>112,552</b>	<b>112,207</b>	

# NOTES TO THE PRIMARY FINANCIAL STATEMENTS

## 1 Accounting Policies

### (i) General Principles

The Statement of Accounts summarises the Liverpool City Region Combined Authority's transactions for the 2023/24 financial year and its position as at 31 March 2024. 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 2023/24, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts 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.

### (ii) 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.

### **(iii) 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.

### **(iv) 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.

### **(v) 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 not material or 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.

### **(vi) 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.
- 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 and impairment losses and amortisation are therefore replaced by the 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.

## **(vii) 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 to the Accumulated Absences Account 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 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 (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- The return on plan assets – (excluding amounts included in net interest on the net defined benefit liability (asset)) 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 – cash paid as employer contributions to the pension fund in settlement of liabilities; 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.

### **(viii) Events after the Reporting Period**

Events after the Balance Sheet reporting period are those events, both favourable and unfavourable, that occur between the Balance Sheet date 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.

### **(ix) 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.

## (x) 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. The Authority holds 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. The reconciliation of amounts debited and credited to the CIES to the net gain 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.

Any gains and losses that arise on the derecognition of a financial 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 might 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 CIES 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.

### **(xi) 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.

#### **(xii) 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.

#### **(xiii) 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).

#### **(xiv) 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.

#### **(xv) 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 as financial assets at cost, less any provision for losses.

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.

#### **(xvi) 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.

#### **(xvii) 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 is 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.

#### **(xviii) 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.

#### **(xix) 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. In accordance with the temporary relief offered by 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). 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.

### **(xx) Provisions, Contingent Liabilities and Contingent Assets**

#### Provisions

Provisions are made where an event has taken place on or before the Balance Sheet date:

- That gives the Authority a present obligation;
- That probably requires settlement by a transfer of economic benefits or service potential; and
- Where a reliable estimate can be made of the amount of the obligation.

If it is not clear whether an event has taken place on or before the Balance Sheet date, it is deemed to give rise to a present obligation, if, taking account of all available evidence, it is more likely than not that a present obligation exists at the Balance Sheet date. The present obligation can be legal or constructive.

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.

#### **(xxi) Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. 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; the reserve is then transferred back into the General Fund Balance so that there is no net charge for the expenditure.

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.

#### **(xxii) 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.

#### **(xxiii) Value Added Tax (VAT)**

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

## **2. Critical Judgements**

In applying accounting policies as 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 31<sup>st</sup> March 2024 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 at each period end and determined jointly between the pension fund management and the actuaries. Details can be found within Note 9.

#### 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.

- IFRS 16 Leases issued in January 2016.
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023.

Item i. IFRS 16 Leases has a mandatory implementation date of 1 April 2024; this standard will have an impact upon the accounts, however, a full assessment of the impact has yet to take place.

Items ii. to iv. above, whilst providing clarifications, they will not have a significant impact on the accounts.

Items v. to vi. will not be applicable.

#### 5. Unusable Reserves

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
(33,696)	(320)	Revaluation Reserve	(42,135)	(556)
(75,517)	317,620	Capital Adjustment Account	(81,885)	332,652
(13,865)	1,495	Pension Reserve	(32,031)	(1,613)
805	358	Accumulating Absences Account	995	638
250	250	Collection Fund Adjustment Account	253	253
<b>(122,023)</b>	<b>319,403</b>	<b>Total</b>	<b>(154,804)</b>	<b>331,373</b>

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.

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
<b>(27,689)</b>	<b>(327)</b>	<b>Balance as at 1 April</b>	<b>(33,696)</b>	<b>(320)</b>
(6,927)	0	Upward revaluation of assets	(9,650)	(242)
919	6	Difference between fair value and historical cost depreciation	1,211	6
<b>(33,696)</b>	<b>(320)</b>	<b>Balance as at 31 March</b>	<b>(42,135)</b>	<b>(556)</b>

### 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.

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
<b>(124,865)</b>	<b>242,651</b>	<b>Balance as at 1 April</b>	<b>(75,517)</b>	<b>317,620</b>
15,817	8,534	Charges for depreciation and amortisation of non-current assets	17,223	8,595
232	232	Net gain or loss on sale of non-current assets	(19)	(19)
45	0	Revaluation losses charged to the CIES	293	0
211,978	237,488	Revenue expenditure funded from capital under statute	187,308	212,271
(167,970)	(161,608)	Capital grants and contributions credited to the CIES	(194,949)	(191,446)
(4,748)	(4,748)	Statutory provision for the repayment of debt	(11,398)	(11,398)
(6,087)	(6,087)	Capital expenditure financed from revenue balances	(3,495)	(3,495)
3,745	3,745	Capital Receipts	1,072	1,072
(1,200)	(1,200)	Use of capital receipts to finance capital expenditure	(84)	(84)
(1,544)	(1,380)	Use of reserves to finance capital expenditure	(1,107)	(458)
(919)	(6)	Difference between fair value and historical cost depreciation	(1,211)	(6)
<b>(75,517)</b>	<b>317,620</b>	<b>Balance as at 31 March</b>	<b>(81,885)</b>	<b>332,652</b>

### 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 accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pensions funds or eventually pays any pensions for which it is directly responsible. The Statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
<b>96,955</b>	<b>14,943</b>	<b>Balance as at 1 April</b>	<b>(13,865)</b>	<b>1,495</b>
(121,023)	(16,632)	Remeasurements of the net defined benefit liability	(17,875)	(3,028)
16,408	4,883	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	6,136	2,319
(6,205)	(1,699)	Employers pension contributions and direct payments to pensioners payable in the year	(6,428)	(2,399)
<b>(13,865)</b>	<b>1,495</b>	<b>Balance as at 31 March</b>	<b>(32,031)</b>	<b>(1,613)</b>

## Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund 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 General Fund Balance is neutralised by transfers to or from this Account.

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
796	218	<b>Balance as at 1 April</b>	805	358
(796)	(218)	Settlement or cancellation of accrual made at the end of the preceding year	(805)	(358)
805	358	Amounts accrued at the end of the current year	995	638
<b>805</b>	<b>358</b>	<b>Balance as at 31 March</b>	<b>995</b>	<b>638</b>

## 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.

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
292	292	<b>Balance as at 1 April</b>	251	251
(41)	(41)	Difference in precept income	2	2
<b>251</b>	<b>251</b>	<b>Balance as at 31 March</b>	<b>253</b>	<b>253</b>

## 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 postedback from earmarked reserves to meet General Fund expenditure in 2023/24.

	Balance 1 April 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance 31 March 2023 £'000	Transfers Out 2023/24 £'000	Transfers In 2023/24 £'000	Balance 31 March 2024 £'000
<b>LCRCA Earmarked Reserves</b>							
Infrastructure Reserve (a)	(62,133)	1,380	(14,094)	(74,847)	458	(16,175)	(90,564)
Capital Reserve (b)	(24)	0	0	(24)	0	0	(24)
Rail Financing Reserve (c)	(39,500)	5,501	0	(33,999)	0	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)	(10,998)	967	(3,745)	(13,776)	84	(1,072)	(14,764)
Modernisation Fund (i)	0	0	(1,000)	(1,000)	0	0	(1,000)
<b>Single Entity Earmarked Reserves</b>	<b>(168,597)</b>	<b>7,848</b>	<b>(18,839)</b>	<b>(179,588)</b>	<b>542</b>	<b>(17,247)</b>	<b>(196,293)</b>
LCRCA General Fund (j)	(7,115)	0	(7,390)	(14,505)	0	(7,795)	(22,301)
<b>Single Entity Total Usable Reserves</b>	<b>(175,712)</b>	<b>7,848</b>	<b>(26,229)</b>	<b>(194,093)</b>	<b>542</b>	<b>(25,042)</b>	<b>(218,594)</b>
Merseytravel Group Earmarked Reserves (k)	(54,988)	1,855	(3,348)	(56,482)	649	(9,874)	(65,707)
Merseytravel Group General Fund (l)	(4,629)	0	(3,904)	(8,533)	1,085	0	(7,448)
<b>Merseytravel Group Reserves</b>	<b>(59,617)</b>	<b>1,855</b>	<b>(7,252)</b>	<b>(65,015)</b>	<b>1,734</b>	<b>(9,874)</b>	<b>(73,155)</b>
Total Group Earmarked Reserves	(223,585)	9,703	(22,187)	(236,069)	1,191	(27,121)	(262,000)
Total Group General Fund	(11,665)	0	(11,052)	(22,717)	1,085	(7,795)	(29,427)
<b>Total Group Usable Reserves</b>	<b>(235,250)</b>	<b>9,703</b>	<b>(33,239)</b>	<b>(258,786)</b>	<b>2,276</b>	<b>(34,916)</b>	<b>(291,427)</b>

- (a) The infrastructure reserve has been created to support the strategic decisions of the LCRCA, through investment in the transport infrastructure across the City Region.
- (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 was created in 2022/23 to cover the implementation costs over the coming 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

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
185	62	Pension administration costs	202	75
<b>185</b>	<b>62</b>	<b>Total</b>	<b>202</b>	<b>75</b>

## 8. Financing and Investment Income

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
12,254	1,052	Interest on Pension Liabilities	15,036	1,251
(9,624)	(656)	Pension Interest on Plan Assets	(15,856)	(1,237)
10,590	10,590	Interest Payable and Similar Charges	10,036	10,036
(8,852)	(9,220)	Investment Income	(19,464)	(19,582)
(89)	0	Expected Credit Loss Adjustment	(310)	(117)
<b>4,280</b>	<b>1,766</b>	<b>Total</b>	<b>(10,558)</b>	<b>(9,649)</b>

## 9. Pensions

As part of the terms and conditions of employment of its officers, the Combined Authority and Merseytravel make 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 the Combined Authority, 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.

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
		<b>Net Cost of Service</b>		
13,588	4,425	Current service cost	6,606	2,230
5	0	Past service cost	1	0
0	0	Effect of curtailments	147	0
		<b>Other Operating Expenditure</b>		
185	62	Administration expenses	202	75
		<b>Financing and Investment Income</b>		
2,630	396	Net interest expense	(820)	14
<b>16,408</b>	<b>4,883</b>	<b>Total Post Employment Benefits Charged to the CIES</b>	<b>6,136</b>	<b>2,319</b>

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

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
(16,408)	(4,883)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(6,136)	(2,319)
6,205	1,699	Employers contribution payable to the Scheme	6,428	2,399
<b>(10,203)</b>	<b>(3,184)</b>	<b>Total</b>	<b>292</b>	<b>80</b>

#### Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Combined Authority's obligation and the Group's asset in respect of its defined benefit plans is as follows:

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
(319,657)	(26,284)	Benefit obligation at the end of the period	(320,964)	(28,138)
333,521	24,789	Fair Value of plan assets at end of the period	352,995	29,751
<b>13,864</b>	<b>(1,495)</b>	<b>Surplus/(Deficit) as at 31 March</b>	<b>32,031</b>	<b>1,613</b>

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

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
345,060	21,427	Balance brought forward 31 March	333,521	24,789
9,624	656	Interest on plan assets	15,856	1,237
(18,287)	(1,247)	Remeasurements	9,130	751
(185)	(62)	Administration expenses	(202)	(75)
6,205	1,699	Employers contributions	6,428	2,399
2,654	954	Members contributions	2,859	1,118
(11,550)	1,362	Benefits/transfers paid	(14,597)	(468)
<b>333,521</b>	<b>24,789</b>	<b>Total</b>	<b>352,995</b>	<b>29,751</b>

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

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
(442,016)	(36,370)	Balance brought forward 31 March	(319,657)	(26,284)
(13,588)	(4,425)	Current service cost	(6,606)	(2,230)
(5)	0	Past service cost	(1)	0
0	0	Curtailments	(147)	0
(12,254)	(1,052)	Interest on pension liabilities	(15,036)	(1,251)
(2,654)	(954)	Members contributions	(2,859)	(1,118)
139,310	17,879	Remeasurements (liabilities)	8,745	2,277
11,550	(1,362)	Benefits/transfers paid	14,597	468
<b>(319,657)</b>	<b>(26,284)</b>	<b>Total</b>	<b>(320,964)</b>	<b>(28,138)</b>

### As at 31 March the assets comprised:

31 March 2023 £'000								Single Entity	31 March 2024 £'000							
Quoted		Unquoted		Total		% of total			Quoted		Unquoted		Total		% of total	
Group	Single Entity	Group	Single Entity	Group	Single Entity	Group	Single Entity	Group	Single Entity	Group	Single Entity	Group	Single Entity	Group	Single Entity	
46,795	3,479	3,869	288	50,664	3,767	15	15	UK	45,293	3,819	1,377	116	46,670	3,935	13	13
72,874	5,416	40,356	2,999	113,230	8,415	34	34	Global	83,626	7,048	48,606	4,097	132,232	11,145	37	37
<b>Bonds</b>																
200	15	0	0	200	15	0	0	Overseas Government	1,638	138	0	0	1,638	138	0	0
200	15	0	0	200	15	0	0	Collateralized Bonds	133	11	0	0	133	11	0	0
3,702	275	0	0	3,702	275	1	1	UK Government	1,640	138	0	0	1,640	138	0	0
6,704	498	0	0	6,704	498	2	2	UK Corporate	3,302	278	0	0	3,302	278	1	1
27,349	2,033	0	0	27,349	2,033	8	8	UK Indexed Linked (Gov)	17,112	1,442	0	0	17,112	1,442	5	5
1,701	126	0	0	1,701	126	1	1	Overseas Corporate	2,505	211	0	0	2,505	211	1	1
0	0	(1,834)	(136)	(1,834)	(136)	-1	(1)	Derivative Contracts	0	0	74	6	74	6	0	0
<b>Property</b>																
0	0	15,175	1,128	15,175	1,128	5	5	UK Direct Property	0	0	16,449	1,386	16,449	1,386	5	5
334	25	10,405	773	10,739	798	3	3	UK Managed Property	298	25	14,143	1,192	14,441	1,217	4	4
0	0	10,606	788	10,606	788	3	3	Global Managed Property	0	0	11,426	963	11,426	963	3	3
<b>Alternatives</b>																
33	2	11,473	853	11,506	855	3	3	UK Private Equity	37	3	16,710	1,408	16,747	1,411	5	5
0	0	21,445	1,594	21,445	1,594	6	6	Global Private Equity	149	13	18,944	1,597	19,093	1,610	5	5
33	2	0	0	33	2	0	0	UK Other Alternatives	0	0	111	9	111	9	0	0
0	0	8,338	620	8,338	620	2	3	Global Other Alternatives	0	0	9,044	762	9,044	762	3	3
0	0	18,310	1,361	18,310	1,361	5	5	UK Infrastructure	0	0	22,591	1,904	22,591	1,904	6	6
0	0	10,273	764	10,273	764	3	3	Global Infrastructure	0	0	11,873	1,001	11,873	1,001	3	3
0	0	5,003	372	5,003	372	2	2	UK Private Credit	111	9	5,247	442	5,358	451	2	2
601	45	11,239	835	11,840	880	4	4	Global Private Credit	484	41	13,287	1,120	13,771	1,161	4	4
0	0	1,200	89	1,200	89	0	0	Global Multi Asset	0	0	1,377	116	1,377	116	0	0
<b>Cash</b>																
0	0	1,401	104	1,401	104	0	0	Goodhart	0	0	1,861	157	1,861	157	1	1
5,736	426	0	0	5,736	426	2	2	Cash Instruments	3,547	299	0	0	3,547	299	1	1
<b>166,262</b>	<b>12,357</b>	<b>167,259</b>	<b>12,432</b>	<b>333,521</b>	<b>24,789</b>	<b>100</b>	<b>100</b>		<b>159,875</b>	<b>13,475</b>	<b>193,120</b>	<b>16,276</b>	<b>352,995</b>	<b>29,751</b>	<b>100</b>	<b>100</b>

## 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-24	
LCRCA	Merseytravel		LCRCA	Merseytravel
		<u>Base Assumptions</u>		
2.70%	2.70%	Rate of CPI inflation	2.60%	2.70%
4.20%	4.20%	Rate of increase in salaries	4.10%	4.20%
2.80%	2.80%	Rate of increase in pensions	2.70%	2.80%
4.70%	4.80%	Discount Rate	4.90%	4.90%
		<u>Mortality Assumptions</u>		
22.6	22.6	Life expectancy of male future pensioner aged 65 in 20 years' time	22.2	22.2
25.5	25.5	Life expectancy of female future pensioner aged 65 in 20 years' time	25.2	25.2
21.2	21.2	Life expectancy of male current pensioner aged 65	20.9	20.9
23.7	23.7	Life expectancy of female current pensioner aged 65	23.4	23.4

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 23/24 investment returns	-1% change in 23/24 investment returns
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities	320,964	298,555	332,815	323,407	329,197	320,964	320,964
Assets	(352,995)	(352,995)	(352,995)	(352,995)	(352,995)	(356,499)	(349,491)
(Surplus)/ Deficit	(32,031)	(54,440)	(20,180)	(29,588)	(23,798)	(35,535)	(28,527)
Projected service cost next year	6,130	5,192	6,646	6,130	6,305	6,130	6,130
Projected net interest cost for next year	(1,719)	(3,106)	(1,128)	(1,589)	(1,306)	(1,892)	(1,548)

### 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 23/24 investment returns	-1% change in 23/24 investment returns
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities	28,138	25,038	29,830	28,624	28,684	28,138	28,138
Assets	(29,751)	(29,751)	(29,751)	(29,751)	(29,751)	(30,064)	(29,438)
(Surplus)/ Deficit	(1,613)	(4,713)	79	(1,127)	(1,067)	(1,926)	(1,300)
Projected service cost next year	1,938	1,562	2,147	1,938	1,998	1,938	1,938
Projected net interest cost for next year	(135)	(317)	(52)	(111)	(109)	(151)	(120)

### Impact on the Authority's Cashflows

The objectives of the scheme are to keep employer's contributions at as constant and affordable a rate as possible. Merseyside Pension Fund has agreed a strategy with the scheme's actuary, with funding levels monitored on an annual basis. The most recent triennial valuation took place in the 2022/23 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 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). 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 £6.145m in contributions to the scheme in 2024/25; £2.312m in relation to the Combined Authority Single Entity and £3.833m 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.

2022/23 £'000		Credited to Services	2023/24 £'000	
Group	Single Entity		Group	Single Entity
(62,688)	(54,217)	DfT Transport Grants	(121,202)	(121,202)
(25,246)	(25,246)	BEIS Gainshare	(18,560)	(18,560)
(13,775)	(13,775)	ERDF & ESF	(6,571)	(6,571)
(40,111)	(45,439)	Transforming Cities	(13,701)	(13,701)
(5,996)	(5,996)	Brownfield Fund	(7,440)	(7,440)
(57,390)	(57,390)	Adult Education Funding	(67,547)	(67,547)
(568)	(568)	Households into Work	0	0
(3,043)	(3,043)	Homelessness	(4,061)	(4,061)
(40,282)	(38,495)	Low Carbon	(32,418)	(32,418)
(1,271)	(1,271)	UK Shared Prosperity Fund	(10,658)	(10,658)
(106,547)	0	Special Rail Grant	(124,518)	0
(3,976)	0	Transport Grants	(13,895)	0
(406)	(406)	Freeport	(6,590)	(6,590)
(5,099)	(4,373)	Other Grants & Contributions	(9,277)	(9,277)
<b>(366,398)</b>	<b>(250,219)</b>	<b>Total</b>	<b>(436,438)</b>	<b>(298,025)</b>

2022/23 £'000		Credited to Taxation and Non Specific Grant Income	2023/24 £'000	
Group	Single Entity		Group	Single Entity
(99,352)	(99,352)	Transport Levy	(102,283)	(102,283)
(3,235)	(3,235)	Halton Differential Levy	(3,300)	(3,300)
(7,973)	(7,973)	Mayoral Precept	(8,090)	(8,090)
(1,000)	(1,000)	Mayoral Capacity Grant	(1,000)	(1,000)
(4,000)	(4,000)	Gainshare Funding	(4,020)	(4,020)
(20,691)	(10,958)	Capital Grants	(36,562)	(13,169)
<b>(136,250)</b>	<b>(126,518)</b>	<b>Total</b>	<b>(155,255)</b>	<b>(131,862)</b>

## 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:

2022/23 £'000		Receipts in Advance	2023/24 £'000	
Group	Single Entity		Group	Single Entity
		<b>Department for Transport</b>		
(98,679)	(98,679)	CRSTS Funding	(99,556)	(99,556)
(20,672)	(20,672)	Emergency Active Travel Fund	(6,177)	(6,177)
(13,329)	(8,885)	Transforming Cities	(34,439)	(33,650)
(6,342)	(6,342)	Highways Maintenance	(6,342)	(6,342)
(7,789)	(7,789)	ITB Grant	(7,789)	(7,789)
0	0	LEVI Capability Fund	(9,117)	(9,117)
(2,795)	(1,821)	DfT Other Grants	(10,103)	(9,557)
		<b>Department for Levelling Up, Housing &amp; Communities</b>		
(19,596)	(19,596)	Brownfield Fund	(27,070)	(27,070)
(18,622)	(18,622)	English Devolution	(9,262)	(9,262)
(10,974)	(10,974)	Growing Places	(10,974)	(10,974)
(10,950)	(10,950)	Gainshare Revenue	(18,038)	(18,038)
(4,155)	(4,155)	UK Shared Prosperity Fund	(4,269)	(4,269)
0	0	Freeport	(2,960)	(2,960)
(2,360)	(2,360)	DLUHC Other Grants	(2,251)	(2,251)
		<b>Department for Business, Energy &amp; Industrial Strategy*</b>		
(6,352)	(6,352)	Social Housing Decarbonisation Fund Wave 1	(7,599)	(7,599)
(7,857)	(7,857)	Sustainable Warmth - LAD3	(180)	(180)
(4,476)	(4,476)	Sustainable Warmth - Home Upgrade Grant	(571)	(571)
(2,877)	(2,877)	Energy Hub	(2,924)	(2,924)
(685)	(685)	BEIS Other Grants	(674)	(674)
		<b>Department for Education</b>		
(10,355)	(10,355)	Adult Education Funding	(12,152)	(12,152)
(3,640)	(3,640)	L3 Life Time Skills	(2,458)	(2,458)
(2,491)	(2,491)	Digital Skills - Bootcamps	(87)	(87)
(2,256)	(2,256)	DfE Other Grants	0	0
(2,934)	(2,717)	<b>Other Grants</b>	(2,848)	(2,848)
<b>(260,186)</b>	<b>(254,551)</b>	<b>Total</b>	<b>(277,841)</b>	<b>(276,506)</b>

\*In February 2023 this department was split into three separate departments, the Department for Business and Trade, the Department for Energy Security and Net Zero and the Department for Science, Innovation and Technology

## 12. Mayoral Costs

Included on the face of the Comprehensive Income and Expenditure Statement are the costs associated with the operation of the Mayor's Office during 2023/24. The table below provides a further breakdown of these costs.

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
96	96	Mayoral Allowance	100	100
307	307	Mayoral Office & Political Support Staffing Costs	325	325
19	19	Non Staffing Costs	26	26
4,052	4,052	Net spend on Mayoral Priorities	4,717	4,717
<b>4,474</b>	<b>4,474</b>	<b>Total</b>	<b>5,168</b>	<b>5,168</b>

### 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

2022/23 £'000				2023/24 £'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
37,090	47,265	84,355	Place	26,340	52,713	79,053
3,279	1,610	4,889	Investment & Delivery	4,210	(94)	4,116
5,094	719	5,813	Policy, Strategy & Government Relations	5,695	(25)	5,670
4,719	193	4,912	Corporate Services	6,116	(16)	6,100
9,244	0	9,244	Corporate Development & Delivery	10,693	(20)	10,673
2,950	941	3,891	Corporate Management & Corporate Costs	2,700	1,428	4,129
7,158	48,425	55,583	SIF Payments to Partners	(0)	17,972	17,972
<b>69,534</b>	<b>99,153</b>	<b>168,687</b>	<b>Net Cost of Services</b>	<b>55,754</b>	<b>71,958</b>	<b>127,713</b>
(93,070)	(38,716)	(131,786)	Other Income and Expenditure	(88,396)	(77,216)	(165,612)
<b>(23,536)</b>	<b>60,437</b>	<b>36,901</b>	<b>Surplus or deficit</b>	<b>(32,641)</b>	<b>(5,258)</b>	<b>(37,898)</b>
(235,250)			<b>Opening Balance 1 April</b>	(258,786)		
(23,536)			Surplus in Year	(32,641)		
<b>(258,786)</b>			<b>Closing Reserves at 31 March</b>	<b>(291,427)</b>		

## Single Entity EFA

2022/23 £'000				2023/24 £'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
70,830	36,272	107,102	Place	46,884	44,645	91,529
3,279	1,610	4,889	Investment & Delivery	4,210	(94)	4,116
5,094	719	5,813	Policy, Strategy & Government Relations	5,695	(25)	5,670
2,471	193	2,664	Corporate Services	3,448	(16)	3,432
4,624	0	4,624	Corporate Development & Delivery	5,347	(20)	5,327
3,708	183	3,891	Corporate Management & Corporate Costs	3,853	278	4,131
7,158	48,425	55,583	SIF Payments to Partners	0	17,972	17,972
<b>97,164</b>	<b>87,403</b>	<b>184,566</b>	<b>Net Cost of Services</b>	<b>69,437</b>	<b>62,740</b>	<b>132,176</b>
(115,544)	(9,145)	(124,690)	Other Income and Expenditure	(93,937)	(47,500)	(141,436)
<b>(18,381)</b>	<b>78,257</b>	<b>59,876</b>	<b>Surplus or deficit</b>	<b>(24,500)</b>	<b>15,240</b>	<b>(9,260)</b>
(175,714)			<b>Opening Balance 1 April</b>	(194,095)		
(18,381)			Surplus in Year	(24,500)		
<b>(194,095)</b>			<b>Closing Reserves at 31 March</b>	<b>(218,594)</b>		

## Note to EFA 2023/24

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	52,512	44,657	201	(12)	0	0	52,713	44,645
Investment & Delivery	0	0	(94)	(94)	0	0	(94)	(94)
Policy, Strategy & Government Relations	0	0	(25)	(25)	0	0	(25)	(25)
Corporate Services	0	0	(16)	(16)	0	0	(16)	(16)
Corporate Development & Delivery	0	0	(20)	(20)	0	0	(20)	(20)
Corporate Management & Corporate Costs	959	0	280	(2)	189	280	1,428	278
SIF Payments to Partners	17,972	17,972	0	0	0	0	17,972	17,972
<b>Net Cost of Services</b>	<b>71,443</b>	<b>62,629</b>	<b>326</b>	<b>(169)</b>	<b>189</b>	<b>280</b>	<b>71,958</b>	<b>62,740</b>
Other Income & Expenditure from the Funding Analysis	(76,600)	(47,591)	(618)	89	2	2	(77,216)	(47,500)
<b>Difference between General Fund surplus or deficit and CIES surplus or deficit</b>	<b>(5,157)</b>	<b>15,038</b>	<b>(292)</b>	<b>(80)</b>	<b>191</b>	<b>282</b>	<b>(5,258)</b>	<b>15,240</b>

### 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 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	4,823	161	0	0	47,265	36,272
Investment & Delivery	0	0	1,610	1,610	0	0	1,610	1,610
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	43	43	10	140	941	183
SIF Payments to Partners	48,425	48,425	0	0	0	0	48,425	48,425
<b>Net Cost of Services</b>	<b>91,755</b>	<b>84,536</b>	<b>7,388</b>	<b>2,726</b>	<b>10</b>	<b>140</b>	<b>99,153</b>	<b>87,401</b>
Other Income & Expenditure from the Funding Analysis	(41,490)	(9,561)	2,815	458	(41)	(41)	(38,716)	(9,145)
<b>Difference between General Fund surplus or deficit and CIES surplus or deficit</b>	<b>50,266</b>	<b>74,975</b>	<b>10,203</b>	<b>3,184</b>	<b>(32)</b>	<b>98</b>	<b>60,437</b>	<b>78,257</b>

## Income and Expenditure Analysed by Type

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
		<b>Expenditure</b>		
58,593	28,568	Employee benefits expenses	56,665	29,951
577,641	452,669	Other service expenses	618,575	450,646
15,817	8,534	Depreciation, amortisation, impairment	17,258	8,595
10,590	10,590	Interest payments	10,036	10,036
<b>662,641</b>	<b>500,361</b>	<b>Total expenditure</b>	<b>702,534</b>	<b>499,228</b>
		<b>Income</b>		
(109,294)	(54,528)	Fees, charges and other service income	(142,881)	(58,959)
(8,852)	(9,220)	Interest and investment income	(19,464)	(19,582)
(507,594)	(376,737)	Government grants and contributions	(578,087)	(429,947)
<b>(625,740)</b>	<b>(440,485)</b>	<b>Total Income</b>	<b>(740,432)</b>	<b>(508,488)</b>
<b>36,901</b>	<b>59,876</b>	<b>(Surplus) or deficit on the Provision of Services</b>	<b>(37,898)</b>	<b>(9,260)</b>

## 14. Officers' Remuneration

### Senior Officers' Remuneration

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

		Group				Single Entity			
		Salary (incl. Fees)	Bonuses / Allowances	Employers Pension Contribution	Total Remuneration	Salary (incl. Fees)	Bonuses / Allowances	Employers Pension Contribution	Total Remuneration
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive - Katherine Fairclough	2023/24	204	1	32	237	204	1	32	237
	2022/23	185	1	26	213	185	1	26	213
Executive Director Place - Richard McGuckin (i)	2023/24	175	3	27	204	44	1	7	52
	2022/23	161	0	22	183	40	0	5	45
Executive Director Corporate Services (ii)	2023/24	137	0	20	157	69	0	10	79
	2022/23	133	0	18	151	66	0	9	75
Executive Director Corporate Development and Delivery (iii)	2023/24	107	0	19	126	53	0	10	63
	2022/23	98	0	16	114	49	0	8	57
Executive Director Investment and Delivery	2023/24	145	0	0	145	145	0	0	145
	2022/23	124	0	0	124	124	0	0	124
Executive Director Policy, Strategy and Government Relations	2023/24	138	0	21	159	138	0	21	159
	2022/23	128	0	17	146	128	0	17	145
Monitoring Officer (appointed 3 March 2023)	2023/24	108	0	16	124	108	0	16	124
	2022/23	8	0	2	10	8	0	2	10
Monitoring Officer (resigned 19 December 2022)	2023/24	0	0	0	0	0	0	0	0
	2022/23	83	0	11	94	83	0	11	94

- (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.

2022/23		Remuneration Range	2023/24	
Group	Single Entity		Group	Single Entity
55	29	£50,000 to £54,999	89	46
26	10	£55,000 to £59,999	30	13
25	8	£60,000 to £64,999	18	9
8	2	£65,000 to £69,999	24	6
5	4	£70,000 to £74,999	9	4
11	7	£75,000 to £79,999	9	7
4	3	£80,000 to £84,999	4	1
1	1	£85,000 to £89,999	2	2
3	3	£90,000 to £94,999	0	0
1	0	£95,000 to £99,999	3	2
2	0	£100,000 to £104,999	1	0
4	2	£105,000 to £109,999	4	2
1	1	£110,000 to £114,999	4	3
0	0	£115,000 to £119,999	0	0
1	0	£120,000 to £124,999	0	0
0	0	£125,000 to £129,999	0	0
0	0	£130,000 to £134,999	0	0
1	1	£135,000 to £139,999	0	0
1	0	£140,000 to £144,999	2	2
0	0	£145,000 to £149,999	1	0
<b>149</b>	<b>71</b>	<b>Total</b>	<b>200</b>	<b>97</b>

## 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	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23 £'000	2023/24 £'000	2022/23 £'000	2023/24 £'000
£0 - £20,000	0	0	0	0	4	7	1	5	4	7	1	5	24	82	6	46
£20,001 - £40,000	0	0	0	0	0	2	0	1	0	2	0	1	0	50	0	25
£40,001 - £60,000	0	0	0	0	0	1	0	0	0	1	0	0	0	55	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	1	0	0	0	1	0	0	0	94	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	1	0	0	0	1	0	0	0	189	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>12</b>	<b>1</b>	<b>6</b>	<b>4</b>	<b>12</b>	<b>1</b>	<b>6</b>	<b>24</b>	<b>470</b>	<b>6</b>	<b>71</b>

## 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.

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
0	0	External Audit fees in respect of prior years additional work LCRCA	77	77
0	0	External Audit fees in respect of prior years additional work Merseytravel	138	0
53	53	External Audit Fees in respect of LCRCA	132	132
46	0	External Audit Fees in respect of Merseytravel	114	0
21	0	External Audit Fees in respect of subsidiary companies	23	0
<b>120</b>	<b>53</b>	<b>Total</b>	<b>484</b>	<b>209</b>

## 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.

### Liverpool City Region 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:

2022/23 £'000	Liverpool City Region Authorities	2023/24 £'000						
		Total	Halton	Knowsley	Liverpool	Sefton	St Helens	Wirral
(115,658)	Income	(115,658)	(4,140)	(13,718)	(37,372)	(21,342)	(15,055)	(24,031)
153,050	Expenditure	153,050	9,264	14,657	62,641	15,328	35,183	15,978
1,028	Debtors	1,028	71	43	752	41	77	44
(75,921)	Creditors	(75,921)	(2,303)	(14,245)	(37,048)	(5,839)	(10,735)	(5,750)
20,000	Short term loan	20,000	0	0	20,000	0	0	0
(4,576)	Borrowings	(4,576)	0	0	0	0	0	(4,576)

### 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 2024 are £482k (£509k in 2022/23) and net deficit for the 2023/24 financial year is £27k (£17k surplus 2022/23).

LCRCA granted Liverpool Growth Platform a loan of £500k by agreement on 28 October 2020. This was repaid to LCRCA on 28<sup>th</sup> March 2024.

2022/23 £'000	Liverpool Growth Platform	2023/24 £'000
(105)	Income	(1,097)
3,296	Expenditure	2,915
500	Loan	0

#### 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 liabilities as at 31 March 2024 are £0.637m (£3.601m 2022/23 net assets) with net losses of £3.933m (£2.740m 2022/23). The 2023/24 figures have been consolidated into the LCRCA group accounts. LCRCA granted LCR Digital a loan of £2.645m during 2023/24.

2022/23 £'000		<u>LCR Digital</u>	2023/24 £'000	
Group	Single Entity		Group	Single Entity
(243)	(486)	Income	(416)	(831)
1356	0	Losses	1,503	0
1,503	4,008	Investments	0	4,008
9,267	9,267	Debtor - Loan	11,081	11,081
642	642	Debtor - Loan Interest	1,473	1,473

All entities within the group boundary are disclosed in Note 29.

17. Property Plant and Equipment

**Movement on Group Balances 2023/24**

	Infra'ure	Other PPE							Total PPE
		Freehold	Leasehold	Fixtures &	Vehicles,	Surplus	Assets	Held for	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
As at 1 April 2023		18,485	70,792	5,142	122,855	1,308	216,010	0	434,592
Additions	11,180	115	533	0	13,938	0	15,680	0	30,266
Revaluation inc/(dec) recognised in the Revaluation Reserve	0	1,221	4,422	0	(689)	895	0	0	5,849
Revaluation inc/(dec) recognised in the Surplus/Deficit on the Provision of Services	0	(199)	(66)	0	(787)	0	0	0	(1,052)
Derecognition disposals	0	0	0	0	(284)	0	(66)	0	(349)
Reclassification	0	0	0	0	149,221	0	(149,221)	0	0
<b>As at 31 March 2024</b>		<b>19,622</b>	<b>75,681</b>	<b>5,142</b>	<b>284,254</b>	<b>2,203</b>	<b>82,403</b>	<b>0</b>	<b>469,306</b>
<b>Depreciation and Impairment</b>									
As at 1 April 2023		160	727	1,576	13,638	4	0	0	16,105
Depreciation	8,694	706	2,188	197	5,100	1	0	0	8,191
Depreciation written out to the Reval Reserve	0	(865)	(2,138)	0	(793)	(5)	0	0	(3,801)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	(759)	0	0	0	(759)
Disposals	0	0	0	0	(284)	0	0	0	(284)
<b>As at 31 March 2024</b>		<b>0</b>	<b>777</b>	<b>1,773</b>	<b>16,902</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,452</b>
<b>Net Book Value</b>									
<b>As at 31 March 2024</b>	<b>268,640</b>	<b>19,622</b>	<b>74,904</b>	<b>3,369</b>	<b>267,353</b>	<b>2,203</b>	<b>82,403</b>	<b>0</b>	<b>449,854</b>
<b>As at 31 March 2023</b>	<b>266,153</b>	<b>18,325</b>	<b>70,065</b>	<b>3,566</b>	<b>109,218</b>	<b>1,304</b>	<b>216,010</b>	<b>0</b>	<b>418,488</b>

## Movement on Group Balances 2022/23

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

## Movement on Single Entity Balances 2023/24

	Infrastructure Assets £'000	Other PPE					Other PPE Total £'000	Total PPE £'000
		Freehold Property £'000	Fixtures & Fittings & Leasehold Property £'000	Vehicles, Plant and Machinery £'000	Surplus Assets £'000	Assets Under Construction £'000		
<b>Cost or valuation</b>								
As at 1 April 2023		1,920	5,142	9,639	52	7,248	24,001	
Additions	9,835	32	0	2,761	0	1,362	4,155	13,990
Disposals	0	0	0	(284)	0	(66)	(349)	(349)
Revaluation inc/(dec) recognised in the Revaluation Reserve	0	0	0	0	20	0	20	20
<b>As at 31 March 2024</b>		<b>1,950</b>	<b>5,142</b>	<b>12,117</b>	<b>72</b>	<b>8,545</b>	<b>27,827</b>	
<b>Depreciation and Impairment</b>								
As at 1 April 2023		160	1,576	3,862	4	0	5,602	
Depreciation	7,264	57	197	1,070	1	0	1,325	8,590
Disposals	0	0	0	(284)	0	0	(284)	(284)
Revaluation inc/(dec) recognised in the Revaluation Reserve	0	(217)	0	0	(5)	0	(222)	(222)
<b>As at 31 March 2024</b>		<b>0</b>	<b>1,773</b>	<b>4,648</b>	<b>0</b>	<b>0</b>	<b>6,421</b>	
<b>Net Book Value</b>								
<b>As at 31 March 2024</b>	<b>244,202</b>	<b>1,950</b>	<b>3,369</b>	<b>7,469</b>	<b>72</b>	<b>8,545</b>	<b>21,403</b>	<b>265,608</b>
<b>As at 31 March 2023</b>	<b>241,632</b>	<b>1,760</b>	<b>3,566</b>	<b>5,777</b>	<b>48</b>	<b>7,248</b>	<b>18,399</b>	<b>260,031</b>

## Movement on Single Entity Balances 2022/23

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

## 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 lives are:
  - Structures – 80 years
  - Street Furniture – 31 years
  - Traffic management systems – 10 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 outgoing 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 2024.

### Capital Commitments

As at 31 March 2024, the Authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2024/25 and future years budgeted to cost the group £313.824m (£300.791m in CA single entity). Similar commitments at 31 March 2023 were £199.990m (£165.042m in CA single entity).

The major group commitments are:

- |                                  |           |
|----------------------------------|-----------|
| • Highways Maintenance           | £153.381m |
| • Rolling Stock                  | £25.030m  |
| • Key Routes Network             | £23.732m  |
| • New Vessel Build               | £22.360m  |
| • Social Housing Decarbonisation | £21.200m  |
| • Project Trinity                | £15.000m  |

The major single entity commitments are:

- |                                  |           |
|----------------------------------|-----------|
| • Highways Maintenance           | £153.381m |
| • Merseytravel                   | £46.936m  |
| • Key Routes Network             | £23.732m  |
| • Social Housing Decarbonisation | £21.200m  |
| • Project Trinity                | £15.000m  |

## 18. Intangible Assets

2022/23 £'000							2023/24 £'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
						<b>Cost or valuation:</b>						
						<b>Opening balance:</b>						
2,803	0	3,992	3	6,795	3	Gross carrying amount	2,803	0	4,233	50	7,036	50
(1,108)	0	(1,539)	0	(2,647)	0	Accumulated amortisation	(1,108)	0	(1,855)	0	(2,963)	0
<b>1,695</b>	<b>0</b>	<b>2,453</b>	<b>3</b>	<b>4,148</b>	<b>3</b>	<b>Opening net carrying amount</b>	<b>1,695</b>	<b>0</b>	<b>2,378</b>	<b>50</b>	<b>4,073</b>	<b>50</b>
0	0	241	48	241	48	Additions		0	1,610	11	1,610	11
0	0	(316)	0	(316)	0	Amortisation		0	(338)	(5)	(338)	(5)
0	0	0	0	0	0	Reclassification		0	0	0	0	0
0	0	0	0	0	0	Disposal		0	0	0	0	0
<b>1,695</b>	<b>0</b>	<b>2,378</b>	<b>50</b>	<b>4,072</b>	<b>50</b>	<b>Net carrying amount at end of year</b>	<b>1,695</b>	<b>0</b>	<b>3,650</b>	<b>56</b>	<b>5,345</b>	<b>56</b>
						<b>Comprising:</b>						
2,803	0	4,233	50	7,036	50	Gross carrying amount	2,803	0	5,843	61	8,646	61
(1,108)	0	(1,855)	0	(2,963)	0	Accumulated amortisation	(1,108)	0	(2,193)	(5)	(3,301)	(5)
<b>1,695</b>	<b>0</b>	<b>2,378</b>	<b>50</b>	<b>4,072</b>	<b>50</b>		<b>1,695</b>	<b>0</b>	<b>3,650</b>	<b>56</b>	<b>5,345</b>	<b>56</b>

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 2024. 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 2023/24.

## 19. Heritage Assets

2022/23 £'000			2023/24 £'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
<b>1,161</b>	<b>450</b>	<b>Balance as at 31 March</b>	<b>1,161</b>	<b>450</b>

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 following table, 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		2023/24 £'000
<b>522,564</b>	<b>Opening Capital Financing Requirement</b>	<b>600,118</b>
	<b>Capital investment</b>	
7,610	PPE	13,990
48	Intangible assets	11
237,488	Revenue Expenditure Funded from Capital Under Statute	212,271
3,367	Investments	0
4,065	Loan Expenditure	2,745
	<b>Sources of Finance</b>	
(161,608)	Government grants and other contributions	(191,446)
(6,087)	Direct Revenue Contributions	(3,495)
(1,380)	Sums set aside from revenue reserves	(458)
(1,200)	Use of capital receipts	(84)
(4,748)	Minimum Revenue Provision	(11,398)
<b>600,118</b>	<b>Closing Capital Financing Requirement</b>	<b>622,254</b>
	<b>Explanation of movements in year:</b>	
77,554	Increase/(Decrease) in underlying need to borrow	22,136
<b>77,554</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>22,136</b>

## 21. Long Term Debtors

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
0	2,187	Loan to Merseytravel for acquisition of The Beatles Story	0	1,981
9,909	9,909	LCR Digital	13,385	13,385
34,972	34,972	Chrysalis	34,972	34,972
8,238	8,238	Loans	7,216	7,216
1,091	1,091	Other Debtors	713	713
<b>54,210</b>	<b>56,397</b>	<b>Balance as at 31 March</b>	<b>56,286</b>	<b>58,267</b>

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
8,238	8,238	Loans	7,216	7,216
<b>(500)</b>	<b>(500)</b>	<b>Expected Credit Loss</b>	<b>0</b>	<b>0</b>

## 22. Short Term Debtors

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
22,907	189	Trade Receivables	13,946	522
3,719	2,584	Prepayments	5,122	3,654
0	4,179	Group Debtors	0	205
1,179	1,179	Loans	1,465	1,465
2,296	2,296	Collection Fund	3,184	3,184
8,625	8,625	Grants	563	563
15,726	1,826	Other Receivable Amounts	19,002	2,776
<b>54,452</b>	<b>20,879</b>	<b>Balance as at 31 March</b>	<b>43,283</b>	<b>12,369</b>

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
22,907	189	Trade Receivables	13,946	522
1,179	1,179	Loans	1,465	1,465
<b>(354)</b>	<b>(70)</b>	<b>Expected Credit Loss</b>	<b>(534)</b>	<b>(346)</b>

## 23. Short Term Creditors

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
(25,544)	(2,600)	Trade Payables	(12,562)	(3,642)
0	(93,457)	Group Creditors	0	(73,705)
(2,547)	(2,547)	Collection Fund	(3,437)	(3,437)
(152,251)	(119,893)	Accruals and Deferred Income	(135,170)	(115,107)
<b>(180,342)</b>	<b>(218,497)</b>	<b>Balance as at 31 March</b>	<b>(151,169)</b>	<b>(195,891)</b>

## 24. Leases

### Authority as Lessee

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
9,564	3,565	Not later than one year	4,097	3,562
14,466	14,261	Between one and five years	10,685	10,685
49,914	49,914	Over five years	46,301	46,301
<b>73,944</b>	<b>67,740</b>	<b>Total</b>	<b>61,083</b>	<b>60,548</b>

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

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
13,313	3,565	Minimum lease payments	10,029	3,562
(10,610)	(862)	Sublease payments receivable	(7,412)	(945)
<b>2,703</b>	<b>2,703</b>	<b>Total</b>	<b>2,617</b>	<b>2,617</b>

## Authority as Lessor

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
(14,503)	(1,119)	Not later than one year	(24,826)	(924)
(98,907)	(2,534)	Between one and five years	(83,680)	(1,571)
(8,826)	(575)	Over five years	(400)	0
<b>(122,236)</b>	<b>(4,228)</b>	<b>Total</b>	<b>(108,907)</b>	<b>(2,495)</b>

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

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
(5,400)	(5,400)	Lease Incentive	(5,100)	(5,100)
<b>(5,400)</b>	<b>(5,400)</b>	<b>Total</b>	<b>(5,100)</b>	<b>(5,100)</b>

## 26. Provisions

	As at 31 March 2023		Expenditure charged to provision in year		(Increase) / decrease in provision		As at 31 March 2024	
	Group £'000	Single Entity £'000	Group £'000	Single Entity £'000	Group £'000	Single Entity £'000	Group £'000	Single Entity £'000
Insurance Related Provision	(367)	0	25	(25)	(15)	0	(357)	(25)
Grant Related Provision	(23,174)	(23,174)	0	0	(137)	(137)	(23,311)	(23,311)
Contractual Provisions	(1,066)	(136)	0	0	101	0	(965)	(136)
Government initiatives	(200)	(200)	0	0	0	0	(200)	(200)
Capital Expenditure	(1,046)	(909)	0	0	0	0	(1,046)	(909)
Legal Provision	(1,800)	0	0	0	(350)	0	(2,150)	0
Corporation Tax Provision	(90)	0	0	0	(143)	0	(233)	0
<b>Total</b>	<b>(27,743)</b>	<b>(24,419)</b>	<b>25</b>	<b>(25)</b>	<b>(544)</b>	<b>(137)</b>	<b>(28,262)</b>	<b>(24,581)</b>

As at 31 March 2023			As at 31 March 2024	
Group £'000	Single Entity £'000		Group £'000	Single Entity £'000
(25,732)	(23,373)	Short Term Provisions	(25,250)	(23,535)
(2,012)	(1,046)	Long Term Provisions	(2,012)	(1,046)
<b>(27,743)</b>	<b>(24,419)</b>	<b>Total</b>	<b>(27,262)</b>	<b>(24,581)</b>

- i) Insurance Related Provision – this provision represents the value of the remaining liability for all self-insured claims occurring in 2023/24 and all prior policy years.
- ii) Grant related Provision - £23.311m this provision represents a grant which is awaiting payment once the final grant condition is met. The final condition is expected to be met however there is uncertainty around when it will be met. It was estimated in 2022 that this provision would be settled within the next year however delays in procurement meant that it was not. It is estimated in 2023/24

that it will be settled within the next year and therefore it has been shown in short term provisions in both financial years.

- 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 2023 £'000					31 March 2024 £'000			
Group		Single Entity			Group		Single Entity	
Current	Non Current	Current	Non Current		Current	Non Current	Current	Non Current
				<b>Financial Assets at Amortised Cost:</b>				
237,635	4,870	237,635	4,008	Investments	223,751	3,367	223,751	7,374
50,734	54,210	18,295	56,397	Debtors	38,161	56,286	8,715	58,267
104,195	0	104,057	0	Cash & Cash Equivalents	112,552	0	112,207	0
<b>392,564</b>	<b>59,080</b>	<b>359,987</b>	<b>60,405</b>	<b>Total Financial Assets</b>	<b>374,464</b>	<b>59,653</b>	<b>344,673</b>	<b>65,641</b>
				<b>Financial Liabilities at Amortised Cost:</b>				
(15,423)	(292,398)	(15,423)	(292,398)	Borrowing	(15,494)	(276,903)	(15,494)	(276,903)
0	0	(93,457)	0	Amounts due to Merseytravel Group	0	0	(73,705)	0
(180,342)	(5,400)	(125,040)	(5,400)	Creditors	(151,169)	(5,100)	(122,186)	(5,100)
<b>(195,765)</b>	<b>(297,798)</b>	<b>(233,920)</b>	<b>(297,798)</b>	<b>Total Financial Liabilities</b>	<b>(166,663)</b>	<b>(282,003)</b>	<b>(211,385)</b>	<b>(282,003)</b>

### Income and Expenses through the CIES

2022/23 £'000					2023/24 £'000			
Group		Single Entity			Group		Single Entity	
Financial Liabilities	Financial Assets	Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets	Financial Liabilities	Financial Assets
(10,590)	0	(10,590)	0	Interest Expense	10,036	0	10,036	0
0	(8,852)	0	(9,220)	Interest Income	0	(19,464)	0	(19,582)
<b>(10,590)</b>	<b>(8,852)</b>	<b>(10,590)</b>	<b>(9,220)</b>	<b>Net (Income)/Expense for the Year</b>	<b>10,036</b>	<b>(19,464)</b>	<b>10,036</b>	<b>(19,582)</b>

### Cash and Cash Equivalents

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
77,870	77,733	Cash and Bank Current Account	55,955	55,610
26,325	26,325	Short Term Deposits with Banks and Building Societies	56,597	56,597
<b>104,195</b>	<b>104,057</b>	<b>Total Cash and Cash Equivalents</b>	<b>112,552</b>	<b>112,207</b>

### Analysis of Loans Outstanding

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
(132,760)	(132,760)	PWLB Debt	(125,854)	(125,854)
(168,197)	(168,197)	EIB Debt	(161,967)	(161,967)
(6,864)	(6,864)	Wirral MBC (transferred debt)	(4,576)	(4,576)
<b>(307,821)</b>	<b>(307,821)</b>	<b>Total Loans Outstanding</b>	<b>(292,397)</b>	<b>(292,397)</b>

### Loans Maturing

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
(15,423)	(15,423)	Maturing within 12 months	15,494	15,494
(15,494)	(15,494)	Maturing within 1 to 2 years	15,569	15,569
(40,544)	(40,544)	Maturing within 2 to 5 years	45,156	45,156
(43,328)	(43,328)	Maturing within 5 to 10 years	37,768	37,768
(193,032)	(193,032)	Maturing in more than 10 years	178,411	178,411
<b>(307,821)</b>	<b>(307,821)</b>	<b>Total Loans Outstanding</b>	<b>292,397</b>	<b>292,397</b>

### 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 2023 £'000		CA Group	31 March 2024 £'000	
Carrying Value	Fair Value		Carrying Value	Fair Value
		<b>Financial Assets:</b>		
1,503	1,503	Investment in Joint Venture	0	0
3,367	3,367	Other long term investments	3,367	3,367
237,635	237,480	Short term investments	223,751	223,844
104,195	104,195	Cash and cash equivalents	112,552	112,552
		<b>Financial Liabilities:</b>		
(132,760)	(142,876)	PWLB Debt	(125,854)	(127,691)
(168,197)	(120,277)	EIB Debt	(161,967)	(112,779)
(6,864)	(6,852)	Wirral MBC (transferred debt)	(4,576)	(4,524)

31 March 2023 £'000		CA Single Entity	31 March 2024 £'000	
Carrying Value	Fair Value		Carrying Value	Fair Value
		<b>Financial Assets:</b>		
4,008	4,008	Investment in Joint Venture	4,008	4,008
3,367	3,367	Other long term investments	3,367	3,367
237,635	237,480	Short term investments	223,751	223,844
104,057	104,057	Cash and cash equivalents	112,207	112,207
		<b>Financial Liabilities:</b>		
(132,760)	(142,876)	PWLB Debt	(125,854)	(127,691)
(168,197)	(120,277)	EIB Debt	(161,967)	(112,779)
(6,864)	(6,852)	Wirral MBC (transferred debt)	(4,576)	(4,524)
(93,457)	(93,457)	Amounts due to Merseytravel Group	(73,705)	(73,705)

### IFRS 9 Review

An impairment review has been completed for all loans and debtors in accordance with IFRS 9, these have been included within the balance sheet figures. LCRCA have made two loans within the financial period for total of £2.745m for which no impairment has been made. In total there is £534k estimated credit loss held within the balance sheet, in relation to trade debtors.

### Loans

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
81,991	81,991	Opening Balance	55,959	55,959
4,950	4,950	Loans made in year	2,745	2,745
(31,058)	(31,058)	Loans repaid in year	(1,882)	(1,882)
960	960	Loan Interest	1,000	1,000
(885)	(885)	Loans converted to grant in year	0	0
(885)	(885)	Loans converted to grant in year	(70)	(70)
<b>55,959</b>	<b>55,959</b>	<b>Closing Loan Value</b>	<b>57,752</b>	<b>57,752</b>
<b>(570)</b>	<b>(570)</b>	<b>Expected Credit Loss</b>	<b>0</b>	<b>0</b>

## Debtors

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
22,907	189	Trade Debtors	13,946	522
(284)	0	Expected Credit Loss	(534)	(346)

## 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 amount 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. Note to the Cashflow Statement

### Cash Flow Statement Operating Activities

The cash flows for operating activities include the following items:

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
(8,852)	(9,094)	Interest Received	(19,464)	(19,582)
10,590	10,590	Interest Paid	10,036	10,036

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

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
15,862	8,534	Depreciation amortisation and revaluation losses	17,516	8,595
119,428	107,804	Increase/(decrease) in creditors, provisions and pension liability	(12,094)	(568)
(13,075)	(3,093)	(Increase)/decrease in debtors	11,136	7,880
(38)	26	(Increase)/decrease in inventories	(27)	0
174	(68)	Other non-cash items charged to the net surplus on the provision of services	(235)	(235)
<b>122,351</b>	<b>113,203</b>	<b>Total</b>	<b>16,296</b>	<b>15,672</b>

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

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
(20,691)	(10,958)	Grants received for the financing of capital expenditure	(36,562)	(13,169)
(233)	(233)	Receipts from the sale of Non Current Assets	(84)	(84)
<b>(20,924)</b>	<b>(11,191)</b>	<b>Total</b>	<b>(36,646)</b>	<b>(13,253)</b>

### Cash Flow Statement Investing Activities

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
(39,764)	(7,658)	Purchase of property, plant and equipment and intangible assets	(43,056)	(14,001)
(20,582)	(20,582)	Purchases and proceeds of short and long term investments	13,884	13,884
47,032	37,299	Other (purchases)/receipts from investing activities	35,405	12,012
<b>(13,314)</b>	<b>9,059</b>	<b>Total</b>	<b>6,233</b>	<b>11,895</b>

### Cash Flow Statement Financing Activities

2022/23 £'000			2023/24 £'000	
Group	Single Entity		Group	Single Entity
(15,791)	(15,791)	Repayment of short and long term borrowing	(15,424)	(15,424)
<b>(15,791)</b>	<b>(15,791)</b>	<b>Total</b>	<b>(15,424)</b>	<b>(15,424)</b>

### Reconciliation of Liabilities Arising from Financing Activities

	1st April 2023	Cash receipt of long term borrowing	Repayment of borrowing	31 March 2024
	£'000	£'000	£'000	£'000
PWLB Debt	(132,760)	0	6,905	(125,854)
EIB Debt	(168,197)	0	6,230	(161,967)
Wirral MBC (transferred debt)	(6,864)	0	2,289	(4,576)
<b>Total liabilities from financing activities</b>	<b>(307,821)</b>	<b>0</b>	<b>15,423</b>	<b>(292,397)</b>

	1st April 2022	Cash receipt of long term borrowing	Repayment of borrowing	31 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)
<b>Total liabilities from financing activities</b>	<b>(323,612)</b>	<b>0</b>	<b>15,791</b>	<b>(307,821)</b>

## 29. 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:

2022/23 £'000	<u>Merseytravel</u>	2023/24 £'000
	<b>Expenditure</b>	
86,844	Merseytravel Grant	87,104
17,362	Tunnels Operational Grant	20,052
84,348	Capital Grants REFCUS	64,598
7,041	General Expenditure	8,178

### 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. LCR Chrysalis Holding Limited Partnership has not been consolidated on the grounds of materiality.

### Liverpool City Region Urban Development Fund (LCR UDF)

The LCR UDF is a £25m fund managed under the Strategic Investment Fund framework incorporated on 19<sup>th</sup> 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, the Section 73 Officer and the Executive Director Investment and Delivery.

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 then 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 9<sup>th</sup> 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.

### **Liverpool City Region Digital Limited**

Liverpool City Region Digital Limited was incorporated on 30<sup>th</sup> 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 and Real Time Information Group are 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 six financial years the company has not traded and has received no income and incurred no expenditure. As at 31 March 2024 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.

## 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.