

**The Halton, Knowsley, Liverpool, St. Helens, Sefton
and Wirral Combined LCRCA
(LCRCA)**

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

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**LIVERPOOL CITY REGION COMBINED AUTHORITY
NARRATIVE STATEMENT TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016**

The Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined LCRCA operating as the Liverpool City Region Combined LCRCA (LCRCA) was established 1 April 2014, following the abolition of Merseyside Integrated Transport LCRCA (MITA). These accounts reflect the financial position of the LCRCA and the LCRCA Group (which includes the accounts of Merseytravel and its subsidiaries) at 31 March 2016.

The LCRCA's accounts for the year ended 31 March 2016 are set out on pages 16 to 70. They consist of the:-

- (a) Comprehensive Income and Expenditure Statement - the LCRCA's main revenue account covering income and expenditure on all LCRCA services;
- (b) Group Comprehensive Income & Expenditure
- (c) Balance Sheet - which sets out the financial position of the LCRCA and Group on 31 March 2016;
- (d) Movement in Reserves statements;
- (e) Statement of Cash Flows - which summarises the outflows of cash arising from transactions with third parties for revenue and capital purposes; and
- (f) Notes, comprising a summary of significant accounting policies and other explanatory information.

Group Accounts are required by the Code of Practice on Local LCRCA Accounting in the United Kingdom. The Code requires the LCRCA to treat Merseytravel (and its subsidiaries) as if it were a subsidiary company.

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

Principal Activities

The direct principal activity of the LCRCA during 2015/16 is the formulation of strategic transport policy for the Liverpool City Region, and the servicing of Transport and Tunnels Infrastructure debt. In addition, it sets the policies for its subsidiary, Merseytravel, to administer the following services on its behalf:-

- (a) Provision and operation of bus stations, interchanges, bus stops and shelters and other customer facilities;
- (b) Production of timetable and route information on all services;
- (c) Provision and operation of a commuter and leisure ferry service on the River Mersey along with various other leisure attractions to strengthen the local river front economy;
- (d) Administration of the local rail network through rail franchises;
- (e) Provision and operation of the local national concessionary travel schemes along with provision of a suite of prepaid travel tickets for public transport;
- (f) Provision of supported bus services in addition to the commercial network
- (g) the day to day operational activities of the Mersey Tunnels
- (h) Administration of £32 million Local Growth Fund for transport and skills capital initiatives across the City Region.

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

Careful consideration is given to the determining of reserve categories. Where reserves are earmarked this is done to ensure that the LCRCA is able to anticipate or meet any financial shocks. The LCRCA's reserves can be released to off-set expenditure, but only as an alternative to service reduction, however, once reserves are used, in the current environment, replacement will be extremely difficult.

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Key Performance Indicators and Business Review

The financial results of the LCRCA and the Group (comprising of the LCRCA, and Merseytravel and subsidiaries) are shown on pages 16 to 70.

The Useable and Unusable reserves of the LCRCA at the year-end were £194m (2014/15 £155m). The Group reserves were £275m (2014/15 £225m).

Service Provision

During the year net expenditure of £113.7m (funded by the Levy) was incurred for the provision of transport services consisting of rail, ferries, tunnels, supported bus services and concessionary travel arrangements for the elderly, disabled and children. With the exception of the LCRCA's servicing of Transport Infrastructure debts, all other transport services are provided through Merseytravel from specific LCRCA grants.

Income and Expenditure of General Reserve

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

2014/15		LCRCA Accounts	2015/16			
Actual			Original Estimate	Revised Estimate	Actual	
£000	%		£000	£000	£000	%
		<u>Gross Expenditure</u>				
30,623	10.6	Tunnels operating grant to Merseytravel	27,316	27,366	26,129	10.4
43,191	14.9	Transport Infrastructure	33,697	35,689	38,442	15.2
215,128	74.4	Merseytravel Grant (including Special Rail and Concessionary Travel Grants)	233,388	224,933	187,355	74.3
220	0.1	Corporate Management	197	189	225	0.1
289,162	100.0		294,598	288,177	252,151	100.0
		<u>Funded by -</u>				
49,126	17.0	Service Income (Tunnel Tolls etc.)	44,892	46,294	46,861	18.6
112,672	39.0	Grants	136,006	128,183	91,590	36.3
-	-	Use of Reserves	-	-	-	0.0
161,798	56.0	Sub Total	180,898	174,477	138,451	54.9
127,364	44.0	Balance to be met by levies upon Merseyside District Councils	113,700	113,700	113,700	45.1
289,162	100.0	Total Funding	294,598	288,177	252,151	100.0

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

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2014/15		Group Accounts	2015/16			
Actual			Original Estimate	Revised Estimate	Actual	
£000	%		£000	£000	£000	%
		<u>Gross Expenditure</u>				
43,681	11	Tunnels	43,073	44,175	44,601	12
94,597	24	Transport Infrastructure/Funding	87,457	87,637	92,639	25
2,638	1	Corporate Management	2,804	3,446	3,052	1
10,178	3	Mersey Ferries	10,685	10,645	10,383	3
28,507	7	Bus Services	30,633	27,611	26,999	7
112,090	29	Rail Services	115,676	106,089	98,955	26
81,811	21	Travel Concessions	82,573	81,464	78,822	21
9,575	2	Hubs	10,874	10,369	9,344	2
-	0	GSMRTIG	-	-	-	0
5,601	1	People & Customer Development	5,548	6,257	5,954	2
3,396	1	LTP & Policy Development	1,515	3,484	2,612	1
392,074	100		390,838	381,177	373,361	100
		<u>Funded by -</u>				
150,299	38	Service Income	139,383	139,294	133,923	36
95,438	24	Direct Grants	95,438	86,115	81,522	22
18,973	5	Other Grants	42,317	42,068	44,216	12
-	0	Use of General Reserves	-	-	-	0
264,710	67	Sub Total	277,138	267,477	259,661	70
127,364	33	Balance to be met by levies upon Merseyside District Councils	113,700	113,700	113,700	30
392,074	100	Total Funding	390,838	381,177	373,361	100

Cash flow

Although base rate continues to be at historically low levels, interest of £1.9m was earned during 2015/16 (£1.4m in 2014/15) through prudent short term deposits of surplus monies. The LCRCA does benefit from surplus Merseytravel monies being on- lent to the LCRCA interest free, to permit bulk placements on the money market thereby maximising investment opportunities and returns.

Pension surplus/deficit

The LCRCA does not participate in a pension scheme as it does not directly employ any staff. However, the Group position does include the assets/liabilities associated with the defined benefit scheme for staff employed by Merseytravel. Employees formerly employed by MITA were transferred to Merseytravel with effect from 1/4/2014. This scheme is administered on its behalf by the Merseyside Pension Fund (MPF). Pension costs have been charged to the Group Comprehensive Income and Expenditure Statement (CIES) in line with IAS19, then reversed out, applying the statutory override provided by Regulation 7A(2) of the Accounts and Audit Regulation's 2011. For a fuller explanation of the LCRCA's Group pension deficit please refer to Note 31.

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Future planned development

The LCRCA negotiated the first stage of its devolution agreement with government in 2015/16. This is a highly significant agreement and one that will greatly expand the CA's operational activities from its current focus on transport, employment and skills to a much wider remit, encompassing all aspects of economic regeneration, housing and special planning in addition to its current portfolio.

The focus of activity in subsequent years will be to ensure that the LCRCA has sufficient capacity, skills and commitment to deliver its commitments, and secure agreed outcomes under the devolution agreement.

Mersey Tunnels Fixed Asset Valuation

The LCRCA inherited all Mersey Tunnel assets. These assets are subject to regular (quinquennial) valuations. The first valuation was carried out for the 2003/4 accounting year, and the latest revaluation was carried out in March 2014.

The March 2014 revaluation was undertaken by District Valuers Service, experts in public sector asset valuations, and had been updated to reflect values as at March 2015.

The Code of Practice on Local LCRCA Accounting (The Code) states Infrastructure assets should be measured at historical cost, and defines this to be the carrying amount of the assets as at April 2007, adjusted for subsequent depreciation or impairment.

However, LAAP Bulletin 100 issued by CIPFA will require a change in accounting policy from 1 April 16 to reflect Infrastructure assets being revalued on a Depreciated Replacement Cost basis. Officers are currently working on the implications of this change.

Revenue Financing

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

Capital Programme

In 2015/16 the LCRCA provided Capital grants to Merseytravel of £12.1m (£18.6m in 2014/15), along with direct capital investment on the Mersey Tunnels totalling £5.9m (£6.7m in 2014/15). Details of some of the largest schemes are as follows:-

LCRCA Schemes

- (a) Mersey Tunnels projects including Queensway Tunnel Cladding (£1.0m), Queensway Borough Road Flyover (£0.8m), SCADA (£1.1m), Kingsway Tunnel Rewire (£0.4m) and other works to the tunnels fabric, plant and machinery.

LCRCA Group Schemes

- (b) Support to District major transport schemes of £5.1m via Local Growth Fund
- (c) Support to Newton le Willows station improvement programme of £2.0m via Local Growth Fund
- (d) Skills capital investment of £6.7m across the districts via Local Growth Fund
- (e) Sustainable transport enhancement package schemes of £6.2m via Local Growth Fund across the districts and Merseytravel
- (f) Access improvements to Queens Square of £0.6m

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- (g) Support to Mersey Ferries continued operations of £1.2m
- (h) further progress in Merseytravel's visionary programme to improve integrated public transport along major corridors and centres in Merseyside

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

Capital Financing/Borrowing

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

2014/15		Capital Expenditure	2015/16	
LCRCA £000's	Group £000's		LCRCA £000's	Group £000's
6,701	25,388	Capital Expenditure	5,927	18,073
		Financed by :-		
		Lease Incentive		
20	10,945	Grants/Contributions/Capital receipts	1	12,147
6,681	6,681	Renewals fund / tolls	5,926	5,926
0	7,762	Reserves	0	0
6,701	25,388		5,927	18,073

The LCRCA Capital Financing Requirement at 31 March 2016 was £222.6m (2014/15 £233.0m). Actual external debt at 31 March 2016 was £213.5m (2014/15 £224.3m).

Tunnels Repair and Renewal Reserve

The Medium Term Financial Strategy for the previous MITA expressed the intention that the Tunnels Repair and Renewal Reserve be maintained at a level of £2.5m or above. This has been adopted by the LCRCA. This Reserve stood at £5.8m as at 31 March 2016.

Principal Risks and Uncertainties

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

- (i) Compliance Risk

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

- (ii) Global Financial Shocks

The consequences of shocks affecting interest rates; currency rates; unemployment and economic growth would be felt by the LCRCA and are risks that need to be managed within the LCRCA's overall financial strategy.

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Political and Charitable Donations

For 2015/16, LCRCA did not adopt any charities as its chosen charity organisation. In addition Merseytravel did not make any charitable donations. There were no political donations made by either organisation during 2015/16.

Future Developments

Looking forward, the Liverpool City Region Combined Authority will be engaged in a number of highly significant activities in 2016/17 and subject to a number of emerging risks.

The devolution agreement reached with government implies significant change for the Combined Authority in 2016/17 and thereafter. As the functions of the LCRCA expand, the CA will need to maintain appropriate capacity, governance and expertise to take full advantage of the opportunities afforded by its new powers and its new resources.

The LCRCA will be engaged in significant new programmes of activity for 2016/17 and beyond and needs to ensure that there is sufficient programme management, project management and financial management to deliver these in cost and in budget. These involve major transport schemes such as Halton Curve but will also begin to include regeneration schemes funded through a Single Investment Fund within a robust assurance framework. Further significant activity for 2016/17 will include the conclusion of the Area Based Review within the employment and skills portfolio which could have significant implications for the provision of further education across the City Region.

The Combined Authority has a Corporate Risk register which captures its key risks. Emerging risks for 2016/17 and beyond will include any implications arising from the new powers emerging from the devolution agreement. The LCRCA will also evaluate the implications of the EU referendum result on the organisation as details of any transition and successor arrangements begin to emerge.

Research and Development

For the normally accepted definition of a company's R&D, there were no research and development activities during 2015/16 by LCRCA or its group.

Trade Payables

Provision has been made for known liabilities, goods received and work carried out as at 31 March 2016. Generally the LCRCA aims to pay all of its undisputed creditors within 30 days.

The LCRCA has adopted Merseytravel's Performance Plan. Within this a "payment within 30 days" target of 100% has been set, against which the actual performance was 95.8 %.

Statutory Officers of the Liverpool City Region Combined LCRCA


The Statutory Officers of the LCRCA who held office during 2015/16 and their respective employing authorities were as follows:

D Brown	Head of Paid Service (resigned 08/11/15) - Merseytravel
G Fitzgerald	Head of Paid Service (appointed 18/12/15) – Liverpool City Council
A Sanderson	Monitoring Officer – St Helens MBC
J Fogarty	Treasurer -Merseytravel

These officers did not receive any reimbursement from the Combined LCRCA for the fulfilment of their duties, and are directly employed and receive remuneration from their respective organisations



G Fitzgerald
Head of Paid Service



J Fogarty (CPFA)
Treasurer

LIVERPOOL CITY REGION COMBINED AUTHORITY STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The LCRCA's Responsibilities

The Liverpool City Region Combined LCRCA 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 the Liverpool City Region Combined LCRCA that officer is the Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

Responsibilities of the Treasurer

The Treasurer is responsible for the preparation of the Liverpool City Region Combined LCRCA's Statement of Accounts, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local LCRCA Accounting in the United Kingdom ("The Code"). The Statement of Accounts is required to present fairly the financial position of the Liverpool City Region Combined LCRCA at the accounting date and its income and expenditure for the year end 31 March 2016.

In preparing this statement of accounts, the Treasurer has:-

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

The Treasurer has also:-

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

Responsible Financial Officer's Certificate

I hereby certify that the Statement of Accounts present a true and fair view of the financial position of the Liverpool City Region Combined LCRCA as at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.



J Fogarty (CPFA)
Treasurer

22nd September 2016

**LIVERPOOL CITY REGION COMBINED AUTHORITY
ANNUAL GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016
Functions of the Liverpool City Region Combined Authority 2015/16**

The Liverpool City Region Combined Authority (LCRCA) was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for during 2015/16.

LCRCA came into being as a legal entity on 1st April 2014. As a result, this annual governance statement represents the position during the second year of account for the Authority.

The Legal Framework that supports the LCRCA includes various statutory provisions, however the most significant of these are:

- The CA Order and Legislation
- The Transport Act 1968
- The County of Merseyside Act 1980
- The Mersey Tunnels Act 2004
- The Transport Act 1983
- The Transport Act 1985
- The Transport Act 2000
- The Railways Act 2005
- EU Regulation on Public Passenger Transport Services by Rail and By Road (1370/2007)
- The Local Government Finance Act 1972
- The Local Government Act 1999
- The Accounts and Audit Regulations 2015

The LCRCA includes the boroughs of Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral. Its primary function is to promote economic growth within the City Region. In furtherance of this, the Combined Authority's functions relate to:

- Transport;
- Employment and Skills;
- Economic Regeneration; and
- Housing and Planning

The LCRCA also includes the Local Enterprise Partnership (LEP). The LEP is the primary body for determining and promoting economic development across the City Region and its Chair is a member of the LCRCA. It is a private sector led partnership bringing together the private and public sectors plus others including both Higher Education and the not for profit sectors.

In respect of its transport responsibilities, the Liverpool City Region Combined Authority assumed the powers, assets and liabilities of the Merseyside Integrated Transport Authority which was abolished as part of the creation of the Combined Authority.

While the LCRCA is primarily a strategic body, in assuming the transport responsibilities of the Merseyside Integrated Transport Authority it inherited ownership of the Mersey Tunnels and as such, the value of its assets, its income and its expenditure is significant.

It also assumed the transport responsibilities of Halton Council, who are similarly no longer a local transport authority.

The transport functions of the Combined Authority were discharged by Merseytravel and by Halton Council in 2015/16, with the Combined Authority assuming a strategic role. Merseytravel undertakes these functions from resources provided by the Combined Authority for this purpose and generated through the Transport Levy and from Tunnel Tolls revenue.

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Halton council funded its own transport activities through its main Council Tax requirement in 2015/16.

Both Merseytravel and Halton are subject to their own annual Statement of Accounts, although any issues arising that would impact on the LCRCA are reflected within this statement.

The LCRCA had a strategic role in respect of its non-transport responsibilities in 2015/16 and incurred no direct net expenditure in these areas in 2015/16, although it did engage in the distribution of Employment and Skills Capital monies as part of the City Region's Local Growth Fund settlement.

Scope of Responsibility

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

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

The Authority approved and adopted a Code of Corporate Governance 2014/15 which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the LCRCA constitution and other policies related to the governance framework is published through our website at <http://www.knowsley.gov.uk/your-council/decision-making-and-governance/liverpool-city-region-combined-authority>.

The LCRCA places significant reliance on the assurance frameworks of its constituent councils. In particular, Merseytravel as its Executive function and as its Accountable Body plays a central role in the overall assurance framework considered in this statement.

This statement explains how the Combined Authority complied with the code and also met the requirements of The Accounts and Audit Regulations 2015, regulation 6), which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the LCRCA is directed and controlled in its activities. It is the mechanism through which it is accountable to and engaged with its stakeholders.

The governance framework enables LCRCA to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate services and value for money.

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

For 2015/16, the system of internal control relied on Merseytravel and Halton Council's internal arrangements. This reflects the nature of transport-related activity and expenditure by LCRCA in this year. These arrangements also considered the assurance framework in respect of Employment and Skills Capital in 2015/16. Merseytravel worked closely with Knowsley Council in 2015/16 in the discharge of these responsibilities.

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As the activities and functions of the LCRCA expand more rapidly into its non-transport activities from 2016/17 onwards, LCRCA will need to determine its own arrangements, however for the year past reliance on those of its executive bodies is considered sufficient.

The governance framework that was in place at the LCRCA for the year ended 31 March 2016 will therefore change significantly during subsequent years. Much work was undertaken in 2015/16 in readiness for this, including the development of the Assurance Framework for the management of City Region Local Growth Fund resources to ensure that a suitable framework is in place for other devolved and local funding streams.

The governance framework

The governance framework itself is based around the organisation's Corporate Plan. As the LCRCA's operational activities were predominantly transport related in 2015/16 its key priorities were articulated largely through the Merseytravel Corporate Plan.

This plan was focussed on the delivery of transport-related activities in support of economic growth and was underpinned by a budget and staffing structures that ensured that resources were available to meet those corporate objectives through Merseytravel and the transport functions of Halton Council.

Performance management systems in each organisation ensured that high-quality services were delivered effectively and efficiently.

The LCRCA, as a strategic body had no direct paid employees in 2015/16, however there are three statutory officers with legal responsibilities for assurance and governance. These are the Head of Paid Service, the Chief Financial Officer (John Fogarty) and the Monitoring Officer (Angela Sanderson). All three officers are primarily employed by constituent members of the Combined Authority.

The Head of Paid Service role was undertaken by David Brown (Merseytravel Chief Executive) until October 2015 and thereafter by Ged Fitzgerald (Liverpool City Council Chief Executive).

Further assurance is provided through the maintenance of an Internal Audit function. Given that non-strategic activity and expenditure was predominantly transport-related and delivered through Merseytravel and through Halton Council in 2015/16 the internal audit arrangements of those bodies were relied on by the LCRCA in 2015/16. Merseytravel's Internal Audit function undertook the Internal Audit role in respect of Skills Capital monies in 2015/16 on behalf of LCRCA.

The LCRCA maintains an effective Audit Committee which has considered risk management and the effectiveness of Internal Audit arrangements in 2015/16.

Similarly, the risk management arrangements of Merseytravel and Halton Council were also relied upon by the Combined Authority in 2015/16.

Review of the effectiveness of the governance framework

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

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

**LIVERPOOL CITY REGION COMBINED AUTHORITY
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As previously stated, the arrangements in place for LCRCA in 2015/16 relied exclusively on those in place at both Merseytravel and Halton Council, as both bodies were responsible for discharging all the LCRCA's functions and expenditure during the year.

Issues relating to governance in 2015/16 within each of these executive bodies are reflected in the Annual Governance Statements of those bodies, however no issues have been identified that would have a material impact on the LCRCA ability to effectively discharge its functions in 2015/16 or beyond.

Merseytravel receives funds from LCRCA and accounted for the overwhelming majority of its expenditure in 2015/16. As such, governance issues at Merseytravel have the most significant potential to impact on the LCRCA's overall governance framework.

As its Executive, Merseytravel also fulfils the accountable body for LCRCA with resources managed through Merseytravel financial systems, banking and treasury management arrangements.

Merseytravel continued to strengthen its overall governance framework in 2015/16, with particular emphasis on risk management, project management and value for money.

Improvements in overall value for money within Merseytravel in 2015/16 enabled the LCRCA to establish a transport levy for 2016/17 that is significantly reduced from previous years.

Despite this, there will be some significant challenges for the LCRCA as its role expands. These are summarised within the section below.

Significant governance issues

Managing Devolved Funding Streams

The LCRCA has been successful in attracting significant resources from central government linked to its strategic role in fostering economic growth.

The total award for Growth Fund schemes is £240.6m over 6 years. This is associated with a complex and ambitious programme of infrastructure investment across the City Region. In addition, the City Region has agreed a £30m per year award from Central Government as part of its devolution deal.

Both funding streams are conditional on achieving positive outcomes in terms of economic growth, skills and employment.

Ensuring that the City Region delivers these outcomes will be a key strategic risk for the LCRCA from 2016/17 and beyond. Failure to deliver the programme, or elements therein will have an impact on economic activity and also a potential impact on the City Region's ability to attract further devolved funding in the years ahead.

In readiness for this, LCRCA will develop a comprehensive assurance framework in 2016/17 that will ensure that devolved – and local - resources are subject to appropriate levels of internal control and are focussed on the delivery of the City Region's clear priorities.

As Growth Fund activity accelerates, LCRCA will need to ensure that it maintains the skills, expertise and capacity to effectively determine and manage a complex programme of diverse projects.

Capacity Building

The devolution deal struck by LCRCA means that it has to adjust from undertaking a purely strategic function to engaging in strategic commissioning and other activities.

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This will entail establishing a core presence of directly employed staff in support of these activities in 2016/17, ensuring that it has the expertise and skills to support its obligations and aspirations from 2016/17 onwards.

This expansion in scope will mean that the LCRCA will also need to determine an appropriate delivery model for its assurance and governance framework which will require greater reliance on its own arrangements than has been the case in 2015/16.

This will include consideration of financial management arrangements, internal audit, programme management and administrative functions as well as providing dedicated executive capacity.

Reserve Strategy

The LCRCA inherited significant levels of reserves from the Merseyside Integrated Transport Authority. The maintenance of these reserves was part of a long-term strategy to provide for the replacement of rolling stock on the Merseyrail Network without impacting upon the transport levy.

In addition to the reserves earmarked for rolling stock replacement, there is also a significant reserve available for further transport infrastructure across the City Region. LCRCA will determine a prioritisation framework for these resources in 2016/17 as part of a Single Investment Fund.

The objective of this is to ensure that these resources are used in tandem with Growth Fund resources to generate significant economic benefit to the City Region in furtherance of the overall purpose and objectives.

SUMMARY

2015/16 was the second year of the LCRCA. Its governance framework continued to rely heavily on those of its constituent members – particularly that of Merseytravel as both its main delivery vehicle and its accountable body.

As primarily a strategic body in 2015/16, these arrangements were both appropriate and adequate. As the LCRCA develops, its own governance framework will need to develop accordingly. Much work has been undertaken in 2015/16 in preparation for this.

2016/17 will be absolutely pivotal for the CA. Structures and capacity will need to be in place prior to May 2017 as this is the date from which the City Region's devolution deal commences – including the election of a City Region Mayor for the first time.


The LCRCA is satisfied that the steps already taken, and those that are planned for 2016/17 will ensure the continued adequacy of its assurance framework as its role expands.

The LCRCA will monitor the implementation and operation of its assurance framework through its Audit Committee and as part of our next annual review.



Signed: _____ 22nd September 2016

Mayor Joe Anderson OBE, Chair of the Liverpool City Region Combined Authority



Signed: _____ 22nd September 2016

Ged Fitzgerald, Head of Paid Service, the Liverpool City Region Combined Authority

**LIVERPOOL CITY REGION COMBINED AUTHORITY
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALTON, KNOWSLEY, LIVERPOOL, ST
HELENS, SEFTON AND WIRRAL COMBINED AUTHORITY
FOR THE YEAR ENDED 31 MARCH 2016**

We have audited the financial statements of The Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority for the year ended 31 March 2016 on pages 16 to 70. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2016 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

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

- the Annual Governance Statement set out on pages 8 to 12 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or

**LIVERPOOL CITY REGION COMBINED AUTHORITY
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALTON, KNOWSLEY, LIVERPOOL, ST
HELENS, SEFTON AND WIRRAL COMBINED AUTHORITY
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

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

We have nothing to report in respect of these matters.

Conclusion on The Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

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

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

**LIVERPOOL CITY REGION COMBINED AUTHORITY
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALTON, KNOWSLEY, LIVERPOOL, ST
HELENS, SEFTON AND WIRRAL COMBINED AUTHORITY
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

Conclusion

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

Certificate

Delay in certification of completion of the audit

Due to work on the WGA Return not being completed by the 28th September 2016

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Timothy Cutler

Partner

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St Peter's Square

Manchester

M2 3AE

28 September 2016

**MERSEYSIDE INTEGRATED TRANSPORT AUTHORITY
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016**

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

In addition, these tables summarise the key sources of income and financial support the LCRCA receives. Crucial to these are the Special Rail Grant that funds local rail services and the Levy received from the Merseyside District Councils. The Levy for 2015/16 was approved by LCRCA at its February 2015 budget meeting. A grant is paid to Merseytravel to provide services the LCRCA deem socially necessary, together with the costs of operation of the Mersey Tunnels. The LCRCA grant is a product of its levy on the five district councils and is the net sum after those costs borne by the LCRCA have been accounted for, together with income from the operation of the Mersey Tunnels.

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

2014/15			LCRCA	2015/16			Notes
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000		£000	£000	£000	
255,658	47,455	208,203	Highways & Transport Services	227,764	70,475	157,289	5
0	0	0	Economic Development	11,160	11,160	0	
230	10	220	Corporate & Democratic core	225	0	225	
0	221	(221)	Non distributed costs	0	26	(26)	
255,888	47,686	208,202	Cost of Services	239,149	81,661	157,488	
12,921	1,782	11,139	Financing & Investment income	12,254	2,259	9,995	5
0	249,763	(249,763)	Taxation & non-specific grant income	0	206,950	(206,950)	
268,809	299,231	(30,422)	(Surplus)/deficit on Provision of Services	251,403	290,870	(39,467)	
	11,537	(11,537)	Transfer of MTA pensions deficit	0	0	0	
2,496	0	2,496	Gain/Loss on Revaluation	0	0	0	
0	0	0	Remeasurements (liabilities & assets)	0	0	0	
0	0	0	Actuarial (gains)/losses on pension assets/liabilities	0	0	0	
2,496	11,537	(9,041)	Other comprehensive income & expenditure	0	0	0	
271,305	310,768	(39,463)	Total Comprehensive Income & Expenditure	251,403	290,870	(39,467)	

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

**LIVERPOOL CITY REGION COMBINED AUTHORITY
GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR YEAR ENDED 31 MARCH 2016**

2014/15			GROUP	2015/16			Notes
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000		£000	£000	£000	
306,423	205,122	101,301	Highways & Transport Services	283,320	199,861	83,459	5
230	10	220	Corporate & Democratic core	225	0	225	
0	0	0	Economic Development	11,160	11,160	0	
4,002	0	4,002	Non distributed costs	3,969	26	3,943	
310,655	205,132	105,523	Cost of Services	298,674	211,047	87,627	
15,962	1,830	14,132	Financing & Investment income	15,732	2,438	13,294	
0	159,193	(159,193)	Taxation & non specific Grant income	0	139,541	(139,541)	
326,617	366,155	(39,538)	(Surplus)/deficit on Provision of Services	314,406	353,026	(38,620)	
0	0	0	Associates and Joint Ventures		1,098	(1,098)	
0	0	0	Transfer of MITA pensions deficit	0	0	0	
2,520	1,542	978	Surplus/Loss on Revaluation of PPE	0	0	0	
23,231	0	23,231	Remeasurements (liabilities & assets)	0	9,877	(9,877)	
0	0	0	Actuarial (gains)/losses on pension assets/liabilities	0	0	0	
25,751	1,542	24,209	Other comprehensive income & expenditure	0	10,975	(10,975)	
352,368	367,697	(15,329)	Total Comprehensive Income & Expenditure	314,406	364,001	(49,595)	
			(Surplus)/deficit attributable to:				
		(15,329)	LCRCA			(49,595)	
		0	Minority interests			0	
		(15,329)	Total (Surplus)/deficit			(49,595)	

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

Balance Sheet

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

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

**LIVERPOOL CITY REGION COMBINED AUTHORITY
BALANCE SHEET AS AT 31 MARCH 2016**

As at 31/03/2015			As at 31/03/2016		Note No.
Authority £000	Group £000		LCRCA £000	Group £000	
		NON-CURRENT ASSETS			
		Property, Plant & Equipment:			
5,166	15,426	Freehold Property	5,592	15,730	
5,142	60,787	Leasehold Property	4,945	59,721	
1,516	10,426	Vehicles, Plant, Furniture & Equipment,	1,621	10,278	
277,875	306,054	Infrastructure Assets	279,768	307,306	
-	-	Assets Under Construction	-	-	
55	2,211	Non Operational Assets	55	2,202	
289,754	394,904	Total PPE	291,981	395,237	15
450	1,161	Heritage assets	450	1,161	16
-	1,964	Intangible Assets:	-	1,929	19
-	-	Investments	-	-	20
3,523	777	Long Term Debtors	3,382	758	24(b)
293,727	398,806	TOTAL NON-CURRENT ASSETS	295,813	399,085	
		CURRENT ASSETS			
132,446	132,446	Short-term investments	184,608	184,608	21
-	180	Assets Held for Sale	-	-	22
565	1,070	Inventories	600	1,073	23
6,279	21,630	Short Term Debtors	6,791	25,033	24
(5,468)	40,954	Cash and cash equivalents	(18,983)	29,743	25
133,822	196,280	TOTAL CURRENT ASSETS	173,016	240,457	
427,549	595,086	TOTAL ASSETS	468,829	639,542	
		CURRENT LIABILITIES			
(10,773)	(10,773)	Short Term Borrowing	(10,820)	(10,820)	29
(38,617)	(30,869)	Short Term Creditors	(51,501)	(44,860)	26
(26)	(180)	Provisions	(26)	(208)	27
(49,416)	(41,822)	TOTAL CURRENT LIABILITIES	(62,347)	(55,888)	
84,406	154,458	NET CURRENT ASSETS	110,669	184,569	
		NON-CURRENT LIABILITIES			
-	(182)	Long Term Creditors	-	(177)	
(1,589)	(3,894)	Provisions	(1,641)	(3,810)	27
(213,527)	(213,527)	Long Term Borrowing	(202,707)	(202,707)	29
-	(102,192)	Pension Liability	-	(94,246)	31
(8,401)	(8,401)	Other Long Term Liabilities	(8,051)	(8,051)	
(223,517)	(328,196)	TOTAL NON CURRENT LIABILITIES	(212,399)	(308,991)	
154,616	225,068	NET ASSETS	194,083	274,663	
		FUNDS BALANCES & RESERVES			
96,436	164,313	Useable Reserves	124,213	196,235	30
58,180	60,757	Unusable Reserves	69,870	78,430	30
-	(2)	Minority Interest	-	(2)	
154,616	225,068	TOTAL RESERVES	194,083	274,663	

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

Joe Anderson

Mayor Joe Anderson
Chair of the Liverpool City Region Combined LCRCA

22nd September 2016

J Fogarty

John Fogarty
Treasurer

22nd September 2016

**LIVERPOOL CITY REGION COMBINED AUTHORITY
MOVEMENT IN RESERVES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016**

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

Group 2015/16	Revenue Reserves	Earmarked Reserve	Total Useable Reserves	Pension Reserve	Revaluation Reserve	Deferred Capital Grants	Financial Instruments	Capital Adjustment Account	Total Unusable Reserves	Minority Interests	Total Reserves
	£000	£000	£000	(Note 30) £000	(Note 30) £000	£000	(Note 30) £000	(Note 30) £000	£000	£000	£000
Opening balance 1st April 2015	3,532	160,781	164,313	(102,192)	12,671	92,938	9	57,331	60,757	(2)	225,068
Movement in Reserves during 2015/16:											
Surplus on the provision of services	38,620	-	38,620	-	-	-	-	-	-	-	38,620
Other Comprehensive Income and Expenditure	1,098	-	1,098	-	-	-	-	-	-	-	1,098
Remeasurements (liabilities & assets)	-	-	-	9,877	-	-	-	-	9,877	-	9,877
Total comprehensive income & expenditure	39,718	-	39,718	9,877	-	-	-	-	9,877	-	49,595
Pensions charged to CIES (note 31)	8,446	-	8,446	(8,446)	-	-	-	-	(8,446)	-	-
Employers contribution	(6,515)	-	(6,515)	6,515	-	-	-	-	6,515	-	-
Capital grants applied to PPE	-	(3,000)	(3,000)	-	-	3,000	-	-	3,000	-	-
Release from reserves re depreciation	8,278	-	8,278	-	3	(4,776)	-	(3,505)	(8,278)	-	-
Premiums/discounts re extinguished loans	13	-	13	-	-	-	(13)	-	(13)	-	-
Capital expenditure charged to general fund	(5,927)	-	(5,927)	-	-	-	-	5,927	5,927	-	-
Statutory provision for financing charged to General fund	(9,280)	-	(9,280)	-	-	-	-	9,280	9,280	-	-
Disposal of assets held for sale	189	-	189	-	-	(189)	-	-	(189)	-	-
Adjustments between accounting basis and funding basis under regulations (Note 4)	(4,796)	(3,000)	(7,796)	(1,931)	3	(1,965)	(13)	11,702	7,796	-	-
Net increase/(decrease) before transfers to earmarked funds	34,922	(3,000)	31,922	7,946	3	(1,965)	(13)	11,702	17,673	-	49,595
Transfers to/from earmarked funds											
Transfers to earmarked reserves	(34,475)	34,475	-	-	-	-	-	-	-	-	-
Total transfers to/from earmarked funds	(34,475)	34,475	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in year	447	31,475	31,922	7,946	3	(1,965)	(13)	11,702	17,673	-	49,595
Balance 31 March 2016 carried forward	3,979	192,256	196,235	(94,246)	12,674	90,973	(4)	69,033	78,430	(2)	274,663

**LIVERPOOL CITY REGION COMBINED AUTHORITY
MOVEMENT IN RESERVES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016**

LCRCA 2015/16	Revenue Reserves £000	Earmarked Reserve £000	Total Useable Reserves £000	Pension Reserve (Note 30) £000	Revaluation Reserve (Note 30) £000	Financial Instruments (Note 30) £000	Capital Adjustment Account (Note 30) £000	Total Unusable Reserves £000	Total Reserves £000
Opening balance 1st April 2015	1,142	95,294	96,436	-	840	9	57,331	58,180	154,616
Movement in Reserves during 2015/16:									
Surplus on the provision of services	39,467	-	39,467	-	-	-	-	-	39,467
Othe Comprehensive Income and Expenditure			-					-	-
Total comprehensive income & expenditure	39,467	-	39,467	-	-	-	-	-	39,467
Pensions charged to CIES (note 31)	-	-	-	-	-	-	-	-	-
Employers contribution	-	-	-	-	-	-	-	-	-
Release from reserves re depreciation	3,504	-	3,504	-	-	-	(3,504)	(3,504)	-
Amounts written out to the Revaluation Reserve					1		(1)		-
Premiums/discounts re extinguished loans	13	-	13	-	-	(13)	-	(13)	-
Capital expenditure charged to general fund	(5,927)	-	(5,927)	-	-	-	5,927	5,927	-
Statutory provision for financing charged to General fund	(9,280)	-	(9,280)	-	-	-	9,280	9,280	-
Capital grants received	9,457		9,457	-	-	-	(9,457)	(9,457)	-
Grants applied	(9,457)		(9,457)	-	-	-	9,457	9,457	-
Adjustments between accounting basis and funding basis under regulations (Note 4)	(11,690)	-	(11,690)	-	1	(13)	11,702	11,690	-
Net increase/(decrease) before transfers to earmarked funds	27,777	-	27,777	-	1	(13)	11,702	11,690	39,467
Transfers to/from earmarked funds									
Transfers to earmarked reserves	(27,777)	27,777	-	-	-	-	-	-	-
Total transfers to/from earmarked funds	(27,777)	27,777	-	-	-	-	-	-	-
Increase/(Decrease) in year	-	27,777	27,777	-	1	(13)	11,702	11,690	39,467
Balance 31 March 2016 carried forward	1,142	123,071	124,213	-	841	(4)	69,033	69,870	194,083

**LIVERPOOL CITY REGION COMBINED AUTHORITY
MOVEMENT IN RESERVES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016**

Group 2014/15	Revenue Reserves £000	Earmarked Reserve £000	Total Useable Reserves £000	Pension Reserve (Note 30) £000	Revaluation Reserve (Note 30) £000	Deferred Capital Grants £000	Financial Instruments (Note 30) £000	Capital Adjustment Account (Note 30) £000	Total Unusable Reserves £000	Minority Interest £000	Total Reserves £000
Bal b/f 1st April 2014	3,496	129,415	132,911	(78,738)	12,453	95,579	22	47,514	76,830	(2)	209,739
Movement in Reserves during 2014/15:											
Surplus on the provision of services	39,538	-	39,538	-	-	-	-	-	-	-	39,538
Other Comprehensive Income and Expenditure	-	-	-	-	235	1,792	-	(3,005)	(978)	-	(978)
Remeasurements (liabilities & assets)	-	-	-	(23,231)	-	-	-	-	(23,231)	-	(23,231)
Total comprehensive income & expenditure	39,538	-	39,538	(23,231)	235	1,792	-	(3,005)	(24,209)	-	15,329
Pensions charged to CIES (Note 31)	7,561		7,561	(7,561)		-	-	-	(7,561)	-	-
Employers contribution	(7,338)		(7,338)	7,338		-	-	-	7,338	-	-
Grants applied MITA revenue from capital	-	(3,717)	(3,717)	-		3,717	-	-	3,717	-	-
Capital grants applied to PPE	11,617		11,617	-	(17)	(8,044)	-	(3,556)	(11,617)	-	-
Release from reserves re depreciation	13		13	-		-	(13)	-	(13)	-	-
Premiums/discounts re extinguished loans	(6,702)		(6,702)	-		-	-	6,702	6,702	-	-
Capital expenditure charged to general fund	(9,676)		(9,676)	-		-	-	9,676	9,676	-	-
Statutory provision for financing charged to General fund	-		-	-		-	-	-	-	-	-
Disposal of assets held for sale		106	106	-		(106)	-	-	(106)	-	-
Adjustments between accounting basis and funding basis under regulations (Note 4)	(4,525)	(3,611)	(8,136)	(223)	(17)	(4,433)	(13)	12,822	8,136	-	-
Net increase/(decrease) before transfers to earmarked funds	35,013	(3,611)	31,402	(23,454)	218	(2,641)	(13)	9,817	(16,073)	-	15,329
Transfers to/from earmarked funds											
Transfers to earmarked reserves			-	-	-	-	-	-	-	-	-
Released from reserves	(34,977)	34,977	-	-	-	-	-	-	-	-	-
Total transfers to/from earmarked funds	(34,977)	34,977	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in year	36	31,366	31,402	(23,454)	218	(2,641)	(13)	9,817	(16,073)	-	15,329
Balance 31 March 2015 carried forward	3,532	160,781	164,313	(102,192)	12,671	92,938	9	57,331	60,757	(2)	225,068

**LIVERPOOL CITY REGION COMBINED AUTHORITY
MOVEMENT IN RESERVES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016**

LCRCA 2014/15	Revenue Reserves	Earmarked Reserve	Total Useable Reserves	Pension Reserve (Note 30)	Revaluation Reserve (Note 30)	Financial Instruments (Note 30)	Capital Adjustment Account (Note 30)	Total Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000s	£000	£000
Bal b/f 1st April 2014	1,142	77,664	78,806	(11,537)	348	22	47,514	36,347	115,153
Movement in Reserves during 2014/15:									
Surplus on the provision of services	30,422	-	30,422	-	-	-	-	-	30,422
Other Comprehensive Income and Expenditure	-	-	-	11,537	(2,496)	-	-	9,041	9,041
Total comprehensive income & expenditure	30,422	-	30,422	11,537	(2,496)	-	-	9,041	39,463
Pensions charged to CIES (note 31)	-	-	-	-	-	-	-	-	-
Employers contribution	-	-	-	-	-	-	-	-	-
Release from reserves re depreciation	3,573	-	3,573	-	(17)	-	(3,556)	(3,573)	-
Amounts w/o to Revaluation reserve					3,005		(3,005)		
Premiums/discounts re extinguished loans	13	-	13	-	-	(13)	.	(13)	-
Capital expenditure charged to general fund	(6,702)	-	(6,702)	-	-	-	6,702	6,702	-
Statutory provision for financing charged to General fund	(9,676)	-	(9,676)	-	-	-	9,676	9,676	-
Capital grants received	18,663	-	18,663	-	-	-	(18,663)	(18,663)	-
Grants applied	(18,663)	-	(18,663)	-	-	-	18,663	18,663	-
Adjustments between accounting basis and funding basis under regulations (Note 4)	(12,792)	-	(12,792)	-	2,988	(13)	9,817	12,792	-
Net increase/(decrease) before transfers to earmarked funds	17,630	-	17,630	11,537	492	(13)	9,817	21,833	39,463
Transfers to/from earmarked funds	-	-	-	-	-	-	-	-	-
Transfers to earmarked reserves	(17,630)	17,630	-	-	-	-	-	-	-
Released from reserves	-	-	-	-	-	-	-	-	-
Total transfers to/from earmarked funds	(17,630)	17,630	-	-	-	-	-	-	-
Increase/(Decrease) in year	-	17,630	17,630	11,537	492	(13)	9,817	21,833	39,463
Balance 31 March 2015 carried forward	1,142	95,294	96,436	-	840	9	57,331	58,180	154,616

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

**LIVERPOOL CITY REGION COMBINED AUTHORITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016**

The Cash flow statement shows the changes in cash and cash equivalents of the LCRCA during the reporting period. The statement shows how the LCRCA 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 LCRCA are funded by way of grant income or from the recipients of services provided by the LCRCA. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the LCRCA'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 LCRCA.

**LIVERPOOL CITY REGION COMBINED AUTHORITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016**

2014/15			2015/16		Note No
LCRCA £000	Group £000		LCRCA £000	Group £000	
		Operating Activities			
30,422	39,538	Net Surplus/(Deficit) on the provision of services	39,467	38,620	25
		<i>Adjustments to net surplus or deficit on the provision of services for non cash movements</i>			
3,753	11,985	Depreciation and impairment of property, plant and equipment	3,695	8,838	
(1,154)	3,343	Increase/(Decrease) in trade and other receivables	(512)	(2,311)	
57	(32)	Increase/(Decrease) in inventories	(36)	(2)	
(288)	(12,955)	(Increase)/Decrease in trade and other payables	15,634	13,632	
(417)	(711)	Movement in Provisions	52	(56)	
-	-	<i>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</i>	-	-	
-	-	Difference between pension contributions paid and the amounts recognised in the income statement	-	-	
-	223	Transfer from pension reserve	-	1,931	
-	-	Gain on sale of property plant and equipment	-	-	
-	-	Gain/Loss on available-for-sale assets	-	-	
32,373	41,391	Net cash flow from operating activities	58,300	60,652	
		Investing Activities			
(8,081)	(11,961)	Purchase of property, plant and equipment and intangible assets	(5,922)	(9,006)	
15	103	Proceeds from sale of assets held for sale	1	52	
(13,672)	(13,672)	Purchase of short term and long term investments	(52,162)	(52,162)	
-	-	Loans Advanced	-	-	
134	21	Loans Repaid	141	26	
(21,604)	(25,509)	Net cash flows from investing activities	(57,942)	(61,090)	
		Financing Activities			
(5,400)	-	Internal loan from Merseytravel	(3,100)	-	
-	-	Repayment of internal loan to Merseytravel	-	-	
(11,098)	(11,098)	Repayment of short term and long term borrowing	(10,773)	(10,773)	
(16,498)	(11,098)	Net cash flows from financing activities	(13,873)	(10,773)	
(5,729)	4,784	Net increase/(decrease) in cash and cash equivalents	(13,515)	(11,211)	
261	36,170	Cash and cash equivalents as at 1 April	(5,468)	40,954	
(5,468)	40,954	Cash and cash equivalents as at 31 March	(18,983)	29,743	

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

**LIVERPOOL CITY REGION COMBINED AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

1. Summary of Significant Accounting Policies

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2015, and the Code of Practice on Local LCRCA Accounting in the United Kingdom 2015/16 (The Code).

The unaudited financial statements were authorised for issue by the Treasurer on 30th June 2016. This is the date up to which events after the balance sheet date have been considered.

Basis of Preparation

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

Compliance with the IFRS-based Code

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

Group Accounts and Basis of Consolidation

The consolidated financial statements comprise the accounts of the LCRCA, Merseytravel and its subsidiary and associated undertakings as at 31 March 2016, which are listed in note 20.

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

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

Interests in subsidiaries and unlisted equity interests

The LCRCA's interests in its subsidiaries and unlisted equity interests are all held through Merseytravel.

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

Income and expenditure

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

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

Government Grants and Contributions

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

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

1 Summary of Significant Accounting Policies (continued)

Lease Income

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

Lease expenditure

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

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

The LCRCA is required to participate in the CRC energy efficiency scheme. The LCRCA is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions (i.e. carbon dioxide produced) as energy is used. As emissions occur a liability and an expense are recognised. This liability is discharged by surrendering allowances. The liability is measured as the best estimate, normally at the current market price of the number of allowances required to meet any additional liability at the reporting date.

Property, Plant and Equipment

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

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

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

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

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

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

1 Summary of Significant Accounting Policies (continued)

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

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

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

Capital expenditure and capital financing

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

Heritage Assets – FRS30

These assets are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. The LCRCA holds heritage assets at their valuation based upon an external valuation with an effective date of 1 April 2014, by the District Valuers Service (see Note 16).

Assets held for sale

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

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

The LCRCA holds no assets that meet these criteria as at 31 March 2016.

1 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets

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

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

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

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

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

Goodwill

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

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

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

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

Inventories

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

1 Summary of Significant Accounting Policies (continued)

Financial Assets

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

Subsequent measurement depends on their classification as follows:-

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

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

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

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

Financial Liabilities

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

Subsequent measurement depends on their classification as follows:

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

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

Finance leases: refer to other information below.

Offsetting of Financial Assets and Liabilities

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

1 Summary of Significant Accounting Policies (continued)

Debtors

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

Provisions, contingent liabilities and contingent assets

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

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

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

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

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

Pensions

The LCRCA does not employ staff, and as such does not participate in a pension scheme. However, LCRCA group includes Merseytravel which does participate in a defined benefit pension scheme, (The Merseyside Pension Fund) the assets of which are held separately in an independently administered fund. The funds are valued every three years by a professionally qualified independent actuary. This is reflected in the Group position within these accounts

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

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

1 Summary of Significant Accounting Policies (continued)

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

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

Pension costs have been charged to the Group CIES in line with IAS 19 (The Code Chapter 6.5) (Employee Benefits). The effect of transfers in the movement in reserves is that the general fund is charged with the employers contributions with the balance between this and the amount charged to the Group CIES being charged or credited to the Group Pension Reserve. For fuller information regarding Pensions please refer to Note 31.

Revenue Expenditure Funded from Capital under Statute

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

Charges shown in the LCRCA's accounts represent capital grants for such works to Merseytravel.

Prudential borrowing

Provision for the redemption of debt is made in accordance with the Minimum Revenue Provision (MRP) requirements under the Local Government Act 2003. The LCRCA has resolved to limit its debt repayment to the MRP level, calculated as 4% of the LCRCA's Capital Financing Requirement, and to re-borrow if it deems necessary, any additional contractual repayments.

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

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

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

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

Revaluation Reserve and Capital Adjustment Account

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

1 Summary of Significant Accounting Policies (continued)

Capital Receipts

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

Overhead and Support Service Allocation

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

Prior Period Adjustments, Changes in Accounting Policy and Estimates and Errors

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

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

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

Reserves

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

Tunnels Surplus/Deficit

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

Events after the Balance Sheet Date

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

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

Material Items

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

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

Under the Code of Practice on Local LCRCA Accounting in the United Kingdom 2015/16, (the Code) the LCRCA is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) has introduced several changes in accounting policy as a result of amendments to the following Accounting Standards. These standards have been issued but have not yet been adopted by the LCRCA. They will be applicable to the LCRCA from 1 April 2016, and are estimated to have minimal impact upon the accounts.

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

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

3. Significant accounting judgements, estimates and assumptions

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

Judgements

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

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

Estimates and Assumptions

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

Property revaluation: The LCRCA measures some other assets at re valued amounts with any changes being recognised within reserves. Periodically, external surveyors are used and the last independent survey was carried out at March 2014. Between independent surveys, reviews are carried out by internal but qualified staff. Such valuations and any attached estimates are subject to some sensitivity.

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

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

**LIVERPOOL CITY REGION COMBINED AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

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

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

Provisions: Provisions set out in note 27 are based on management's best estimate of the amount and timing of liabilities.

4. Adjustments between accounting basis and funding basis under regulations

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

Group	2014/15			
	General Fund Balance	Other Usable Reserves	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account				
<i>Reversal of items debited or credited to the Income and Expenditure Statement:</i>				
Charge for depreciation and impairment of non-current assets	(11,617)		11,617	-
Capital grants and contributions applied	26,961		(26,961)	-
Revenue Expenditure Funded from Capital under Statute	(26,961)		26,961	-
Capital Grants applied to PPE				-
Amounts of non-current assets written off on disposal or sales as part of the gain/loss on disposal.		(106)	106	-
Capital Grants applied to PPE		3,717	(3,717)	-
<i>Insertion of items not debited or credited to the income and Expenditure Statement:</i>				
Adjustments primarily involving the CIES				
Statutory provision for the financing of capital investment	9,676		(9,676)	-
Capital expenditure charged against the General Fund	6,702		(6,702)	-
Adjustments primarily involving the Pensions Reserve				
Pension costs charged to CIES (Note 31)	(7,561)		7,561	-
Employer's pensions contributions and direct payments	7,338		(7,338)	-
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Income and Expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(13)		13	-
Total Adjustments	4,525	3,611	(8,136)	-

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

Group	2015/16			
	General Fund Balance	Other Usable Reserve	Unusable Reserves	Total Reserves
	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Income and Expenditure Statement:</i>				
Charge for depreciation and impairment of non-current assets	(8,278)	-	8,278	-
Capital grants and contributions applied	23,818	-	(23,818)	-
Revenue Expenditure Funded from Capital under Statute	(23,818)	-	23,818	-
Amounts of non-current assets written off on disposal or sales as part of the gain/loss on disposal.	-	(189)	189	-
Capital Grants applied to PPE	-	3,000	(3,000)	-
<i>Insertion of items not debited or credited to the income and Expenditure Statement:</i>				
Adjustments primarily involving CIES				
Statutory provision for the financing of capital investment	9,280	-	(9,280)	-
Capital expenditure charged against the General Fund	5,927	-	(5,927)	-
Adjustments primarily involving the Pensions Reserve				
Pension costs charged to CIES (Note 31)	(8,446)	-	8,446	-
Employer's pensions contributions and direct payments	6,515	-	(6,515)	-
Adjustments primarily involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Income and Expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(13)	-	13	-
Total Adjustments	4,985	2,811	(7,796)	-

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

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

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

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

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

LIVERPOOL CITY REGION COMBINED AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

2014/15			LCRCA	2015/16		
Exp £'000	Income £'000	Net £'000		Exp £'000	Income £'000	Net £'000
30,623	-	30,623	Tunnels operational grant to Merseytravel	26,129	-	26,129
-	43,681	(43,681)	Tunnels income	-	44,601	(44,601)
13,058	-	13,058	Tunnels act transfer	18,472	-	18,472
3,774	3,774	-	Headquarters	3,536	3,536	-
14,442	16,021	(1,579)	Funds Management	4,353	18,472	(14,119)
(16,021)	(16,021)	-	Inter-Dept Charges	(18,472)	(18,472)	-
(6,701)	-	(6,701)	Capital expenditure charged to Mersey Tunnels	(5,927)	-	(5,927)
-	-	-	Pensions current service /curtailment costs	-	-	-
-	-	-	EU Schemes	48	-	48
-	-	-	LGF Grant to partners	12,880	12,880	-
197,894	-	197,894	Grant to Merseytravel; Revenue Support	177,287	-	177,287
18,589	-	18,589	Grant to Merseytravel; Capital	9,458	9,458	-
255,658	47,455	208,203	Highways & Transportation	227,764	70,475	157,289
-	-	-	- LGF Schemes	9,662	9,662	-
-	-	-	- Growth Hub	550	550	-
-	-	-	- Skills for Growth	948	948	-
-	-	-	Economic Development	11,160	11,160	-
230	10	220	Corporate and Democratic Core	225	-	225
230	10	220	Corporate & Democratic Core	225	-	225
-	-	-	- Pensions -Admin expenses	-	-	-
-	221	(221)	Transfer to Provisions	-	26	(26)
-	221	(221)	Non Distributed costs	-	26	(26)
255,888	47,686	208,202	Cost of Services	239,149	81,661	157,488
-	-	-	- Pensions – net interest costs	-	-	-
-	-	-	- Pensions – return on assets /interest costs	-	-	-
12,921	1,782	11,139	Interest receivable and payable	12,254	2,259	9,995
12,921	1,782	11,139	Financing & Investment Income	12,254	2,259	9,995
-	26,961	(26,961)	Other income	-	11,680	(11,680)
-	-	-	- Use of reserves	-	-	-
-	-	-	- EU Grants	-	48	(48)
-	127,364	(127,364)	Lewy	-	113,700	(113,700)
-	95,438	(95,438)	SRG	-	81,522	(81,522)
-	249,763	(249,763)	Taxation & Non specific Grant Income	-	206,950	(206,950)
268,809	299,231	(30,422)	(Surplus)/Deficit on Provision of Services	251,403	290,870	(39,467)

LIVERPOOL CITY REGION COMBINED AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

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

2014/15			GROUP	2015/16		
Exp £'000	Income £'000	Net £'000		Exp £'000	Income £'000	Net £'000
43,681	43,681	-	Mersey Tunnels	44,601	44,601	-
28,507	10,203	18,304	Bus Services	26,999	7,805	19,194
113,680	115,238	(1,558)	Rail Services	100,487	100,922	(435)
81,811	25,593	56,218	Concessionary Travel	78,822	23,045	55,777
9,575	2,713	6,862	Hubs	9,344	2,846	6,498
9,959	8,930	1,029	MFL Group	10,040	9,069	971
22,596	16,121	6,475	Funds Management	5,075	18,588	(13,513)
(45,959)	(45,959)	-	Inter Dept Charges	(46,382)	(46,382)	-
4,452	-	4,452	Pensions current service /curtailment costs	5,178	-	5,178
(6,701)	-	(6,701)	Capital expenditure charged to Mersey Tunnels	(5,927)	-	(5,927)
-	-	-	LGF Grant to partners	12,880	12,880	-
44,822	28,602	16,220	Other Services	42,203	26,487	15,716
306,423	205,122	101,301	Highways & Transportation	283,320	199,861	83,459
-	-	-	LGF Schemes	9,662	9,662	-
-	-	-	Growth Hub	550	550	-
-	-	-	Skills for Growth	948	948	-
-	-	-	Economic Development	11,160	11,160	-
230	10	220	Corporate and democratic core	225	-	225
230	10	220	Corporate & Democratic Core	225	-	225
41	-	41	Transfer to Provisions	94	26	68
3,961	-	3,961	Pensions special contributions	3,875	-	3,875
4,002	-	4,002	Non Distributed costs	3,969	26	3,943
310,655	205,132	105,523	Cost of Services	298,674	211,047	87,627
-	-	-	Pensions – return on assets /interest costs	-	-	-
3,006	-	3,006	Pensions – net interest costs	3,166	-	3,166
12,921	1,830	11,091	External interest	12,433	2,438	9,995
35	-	35	Taxation & Non specific Grant Income	133	-	133
15,962	1,830	14,132	Financing & Investment Income	15,732	2,438	13,294
-	26,961	(26,961)	Other income	-	23,818	(23,818)
-	-	-	EU Grants	-	48	(48)
-	4,868	(4,868)	Grants	-	1,975	(1,975)
-	-	-	Use of reserves	-	-	-
-	127,364	(127,364)	Lewy	-	113,700	(113,700)
-	159,193	(159,193)	Taxation & Non specific Grant Income	-	139,541	(139,541)
326,617	366,155	(39,538)	(Surplus)/Deficit on Provision of Services	314,406	353,026	(38,620)

LIVERPOOL CITY REGION COMBINED AUTHORITY
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

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

Group 2015/16	Mersey Tunnels	Bus services	Rail services	Prepaid and concessionary travel	Ferry and tourism services	Other Services	Total segments	Inter departmental charges, depreciation and pensions	Non distributed costs	Cost of services reported in CIES
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees charges and service income	44,601	7,805	19,400	23,045	9,069	47,947	151,867	(46,382)	-	105,485
Government grant income	-	-	81,522	-	-	-	81,522	-	-	81,522
Other grant income	-	-	-	-	-	-	-	-	-	-
Total income	44,601	7,805	100,922	23,045	9,069	47,947	233,389	(46,382)	-	187,007
Franchises and operators	-	21,708	80,071	77,805	-	-	179,584			179,584
Support services	7,321	2,047	713	1,017	1,836	-	12,934			12,934
Depreciation and impairment	-	-	-	-	-	-	-			-
Pension costs	-	-	-	-	-	-	-		3,875	3,875
Other expenses	37,280	3,244	19,703	-	8,204	62,051	130,482	(52,309)	68	78,241
Total expenditure	44,601	26,999	100,487	78,822	10,040	62,051	323,000	(52,309)	3,943	274,634
Surplus/(Deficit) - cost of services	-	(19,194)	435	(55,777)	(971)	(14,104)	(89,611)	5,927	(3,943)	(87,627)

LIVERPOOL CITY REGION COMBINED AUTHORITY
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

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

Group 2014/15	Mersey	Bus	Rail	Prepaid and	Ferry and	Other	Total	Inter	Non	Cost of
	Tunnels	services	services	concessionary	tourism	Services	segments	departmental	distributed	services
	£000's	£000's	£000's	travel	services	£000's	£000's	charges,	costs	reported in
				£000's	£000's	£000's	£000's	and pensions	£000's	CIES
								£000's	£000's	£000's
Fees charges and service income	43,681	10,203	19,800	25,593	8,230	47,446	154,953	(45,959)	-	108,994
Government grant income	-	-	95,438	-	-	-	95,438	-	-	95,438
Other grant income	-	-	-	-	700	-	700	-	-	700
Total income	43,681	10,203	115,238	25,593	8,930	47,446	251,091	(45,959)	-	205,132
Franchises and operators	-	23,260	93,969	80,001	-	-	197,230	-	-	197,230
Support services	7,321	1,410	1,038	1,810	1,988	-	13,567	-	-	13,567
Depreciation and impairment	-	-	-	-	-	-	-	-	-	-
Pension costs	-	-	-	-	-	-	-	-	3,961	3,961
Other expenses	36,360	3,837	18,673	-	7,971	81,675	148,516	(52,660)	41	95,897
Total expenditure	43,681	28,507	113,680	81,811	9,959	81,675	359,313	(52,660)	4,002	310,655
Surplus/(Deficit) - cost of services	-	(18,304)	1,558	(56,218)	(1,029)	(34,229)	(108,222)	6,701	(4,002)	(105,523)

**LIVERPOOL CITY REGION COMBINED AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

6. Mersey Tunnels

The LCRCA has delegated the operational activities of the tunnels to Merseytravel. This is funded by way of a grant, which in turn is funded via income from tolls.

The Mersey Tunnels Act 2004 permits any operating surplus to be utilised by the LCRCA to achieve public transport policies in its local transport plan. In 2015/16, £18.5m was transferred into the LCRCA's General Fund and a Tunnels Reserve and Renewals Fund balance of £5.8m remained as at 31 March 2016.

Prior to the Tunnel operations becoming self-financing, the Tunnels deficit was funded by the LCRCA Levy. Over several years levy funding reached £28m. Following consultation, the LCRCA approved an annual contribution for 21 years of £3.6m from the surplus towards the levy. The final contribution payment was made in 2014/15 and this debt has now been extinguished.

7. Surplus (deficit) on the Provision of Services

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

Group 2014/15 £000's	LCRCA 2014/15 £000's		Group 2015/16 £000's	LCRCA 2015/16 £000's
		Credits:		
127,364	127,364	Levy income	113,700	113,700
		Grant income - Revenue:		
95,438	95,438	Rail services – Special Rail Grant	81,522	81,522
0	0	EU Revenue Grant	-	-
95,438	95,438		81,522	81,522
		Capital Grants and Contributions income		
17,234	17,234	Dept for Transport - Integrated Transport Block Grant	10,068	10,068
420	420	Dept for Transport - Clean Bus Technology	-	-
203	203	Dept for Transport - Better Bus & Area Grant	178	178
597	597	ERDF - Objective 1 grants	209	209
592	592	Dept for Transport - LSTF Grant	-	-
0	0	Local Growth Fund	32,000	32,000
0	0	Skills for Growth	1,550	1,550
214	214	Capital Contributions	1,499	1,499
19,260	19,260		45,504	45,504
		Charges		
11,936	3,768	Depreciation of property, plant and equipment (including impairment)	8,644	3,695
12,139	-	Operating leases - minimum lease payments	12,193	-
97	47	Auditors' remuneration * see Note 8	85	47
7,561	-	Pension costs	8,446	-
7	-	Publicity costs	-	-

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

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

7. Surplus (deficit) on the Provision of Services (continued)

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

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

8. Auditor's Remuneration

Audit fees for the audit of the LCRCA's accounts by KPMG are £47k (2014/15 £47k) and the Group Accounts are £85k (2014/15 £97k). Group figures do not include audit fees in respect of Merseytravel subsidiary companies, none of which are audited by KPMG.

LCRCA 2014/15 £000	Group 2014/15 £000		LCRCA 2015/16 £000	Group 2015/16 £000
		Audit fees in respect of:-		
47	97	Fees payable for external audit services carried out by the appointed auditor	47	85
0	0	Grant certification work	4	4

9. Staff costs and headcount

The LCRCA does not employ staff. The Group position reflects staff employed by the Merseytravel Group, who act as the LCRCA's Executive arm in delivering its' transport priorities:

	Group 2015/16	Group 2014/15
The number of persons employed by the Group (expressed as whole time equivalents) at the year end was:	No.	No.
Operations	455	492
Catering/Retail	34	50
Management and Admin	289	277
Total	778	819
	£000's	£000's
The aggregate payroll cost for employees during the year was:-		
Salaries and Wages	22,363	22,511
National Insurance	1,635	1,664
Superannuation	2,942	2,972
	26,940	27,147

**LIVERPOOL CITY REGION COMBINED AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

9. Staff costs and headcount (continued)

The Group's employees receiving more than £50,000 remuneration for the year, (including pension contributions) are as follows:

	Group 2015/16	Group 2014/15
£50,000 to £54,999	17	17
£55,000 to £59,999	16	15
£60,000 to £64,999	10	10
£65,000 to £69,999	2	1
£70,000 to £74,999	1	4
£75,000 to £79,999	5	1
£80,000 to £84,999	0	0
£85,000 to £89,999	0	3
£90,000 to £94,999	3	0
£95,000 to £99,999	2	0
£100,000 to £104,999	0	0
£105,000 to £109,999	1	1
£140,000 to £144,599	0	1
£145,000 to £149,999	1	0

Remuneration paid to the LCRCA Group's Senior Employees (via Merseytravel) is as follows:

Post Title	Year	Salary £	Allowances £	Compensation for loss of office £	Pension contributions £	Total remuneration £
*Chief Executive/Director General- David Brown	2014/15	150,707	2,236	-	21,790	174,733
	2015/16	93,135	2,714	-	13,219	109,068
Director of Resources	2014/15	96,694	-	-	13,924	110,618
	2015/16	102,310	-	-	14,743	117,053

* Left Merseytravel 8/11/15

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

**LIVERPOOL CITY REGION COMBINED AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

Group Exit package cost band £	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages in each band	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15 £000
0 - 20,000	5	0	4	2	9	2	85	18
20,001 - 40,000	0	0	2	4	2	4	68	135
40,001 - 60,000	0	0	1	0	1	0	59	60
60,001 - 80,000	0	0	0	1	0	1	0	68
80,001 - 100,000	0	0	0	0	0	0	0	0
100,001 - 150,000	0	0	0	0	0	0	0	0
Total	5	0	7	7	12	7	212	281

10. Members' allowances

Total expenses and allowances paid to Members were £185k. (2014/15 £191k) This includes travelling and subsistence costs. Full details of allowances paid, are reported on the LCRCA's website.

11. Rail Concession income and expenditure

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

Group Highways and Transport services income includes £5,394k (2014/15 £5,788k) representing income accrued under the agreement. Of this, £1,532k (2014/15 £1,590k) has been spent in the year to secure improvements to passenger services and is charged to Highways and Transport Services Expenditure.

The total balance remaining as at 31 March 2016 is £19.6m (31/3/15 £15.8m). This has been included in Group short term debtors and Group useable reserves at the balance sheet date.

12. Finance Costs – Interest Payable

Group 2014/15 £000's	LCRCA 2014/15		Group 2015/16 £000's	LCRCA 2015/16 £000's
12,908	12,908	On loans	12,420	12,241
3,006	-	Interest cost on pension scheme	3,166	-
13	13	Amortisation of premium on early repayment of loans	13	13
-	-	Other	-	-
15,927	12,921		15,599	12,254

13. Finance Income

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

**LIVERPOOL CITY REGION COMBINED AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

Group 2014/15 £000's	LCRCA 2014/15 £000's		Group 2015/16 £000's	LCRCA 2015/16 £000's
1,394	1,394	From short-term loans and deposits	1,871	1,871
0	0	On pension scheme assets	-	-
621	388	Other interest receivable	567	388
2,015	1,782		2,438	2,259

14. Tax on Income

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

Taxation of £133k (2014/15 £35k) in the consolidated income and expenditure statement represent taxation paid by the employer for certain employee benefits deemed by HMRC to be taxable, together with corporation tax payments for the Merseytravel group.

LIVERPOOL CITY REGION COMBINED AUTHORITY
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

15. Property, Plant and Equipment

<i>Group</i>	Freehold Property	Leasehold Property	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Non Operational Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:								
At 31 March 2015	15,426	60,787	10,426	313,596	-	-	2,211	402,446
Additions	851	665	1,091	6,385				8,992
Revaluation recognised in revaluation reserve								-
Revaluation recognised in surplus/deficit in provision of services								-
Disposals			(6)				(9)	(15)
Assets reclassified to Assets held for sale								-
Other Movements								
At 31 March 2016	16,277	61,452	11,511	319,981	-	-	2,202	411,423
Depreciation and impairment:								
At 31 March 2015	-	-	-	7,542	-	-	-	7,542
Depreciation	547	1,731	1,233	5,133				8,644
Other Movements								
Impairment losses recognised in the Surplus/Deficit on the Provision of Services								-
At 31 March 2016	547	1,731	1,233	12,675	-	-	-	16,186
Net Book Value:								
At 31 March 2015	15,426	60,787	10,426	306,054	-	-	2,211	394,904
At 31 March 2016	15,730	59,721	10,278	307,306	-	-	2,202	395,237

LIVERPOOL CITY REGION COMBINED AUTHORITY
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

15. Property, Plant and Equipment (continued)

LCRCA	Freehold Property £000	Leasehold Property £000	Vehicles, Plant, Furniture and Equipment £000	Operational Infrastructure £000	Community Assets £000	Assets Under Construction £000	Non Operational Assets £000	Total £000
Cost or valuation:								
At 31 March 2015	5,166	5,142	1,516	303,822	-	-	55	315,701
Additions	568	-	283	5,077	-	-	-	5,928
Transfers from Capital Projects					-	-	-	-
Revaluation Gains/ Losses recognised in the Revaluation reserve				-				-
Revaluation Losses recognised in the Surplus/Deficit on Provision of Services								-
Other Movements			(6)		-	-	-	(6)
Assets reclassified								-
At 31 March 2016	5,734	5,142	1,793	308,899	-	-	55	321,623
Depreciation and impairment:								
At 31 March 2015	-	-	-	25,947	-	-	-	25,947
Depreciation	142	197	172	3,184	-	-	-	3,695
Impairment losses recognised in the Surplus/Deficit on the Provision of Services					-	-	-	-
Other Movements								-
At 31 March 2016	142	197	172	29,131	-	-	-	29,642
Net Book Value:								
At 31 March 2015	5,166	5,142	1,516	277,875	-	-	55	289,754
At 31 March 2016	5,592	4,945	1,621	279,768	-	-	55	291,981

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

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

15. Property, Plant and Equipment (continued)

Valuation of property, plant and equipment

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

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

The cumulative revaluation surplus held in the LCRCA's revaluation reserve at 31 March 2016 is set out in note 30.

The cumulative revaluation surplus held in the LCRCA's revaluation reserve at 31 March 2016 was £841k (2014/15 £840k). The Group consolidated position at 31 March 2016 is £12,672k (2014/15 £12,671k).

Infrastructure assets are held at depreciated historical cost.

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

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

16. Heritage Assets

	LCRCA Statues £000's	Subsidiaries Statues £000's	Group Statues £000's
At 1 April 2015	450	711	1,161
Additions	-	-	-
At 31 March 2016	450	711	1,161

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

The Group position also includes Merseytravel and TBS heritage items.

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17. Capital Expenditure and MRP Borrowing

Capital expenditure and MRP borrowing amounting to £18.1m (2014/5 £25.3m) and £0m (2014/15 £0m) respectively were financed as follows:

2014/15			Authority	2015/16		
Capital Outlay £000	MRP Borrowing £000	Total £000		Capital Outlay £000	MRP Borrowing £000	Total £000
6,701	-	6,701	Property Plant & Equipment	5,928	-	5,928
-	-	-	Leasehold Improvements	-	-	-
18,589	-	18,589	REFCUS - Capital Grants made to the Merseytravel for Infrastructure etc	12,138	-	12,138
-	1,423	1,423	Reborrowing Principal repaid in excess of MRP	-	1,492	1,492
25,290	1,423	26,713		18,066	1,492	19,558
			Financing			
-	(5,648)	(5,648)	(Under)/overcover financed brought forward at 1 April	-	(7,071)	(7,071)
18,589	-	18,589	Capital Grants and contributions	12,138	-	12,138
19	-	19	Capital Receipts Applied	1	-	1
6,682	-	6,682	Tunnels Repairs and Renewals Fund/Toll income	5,927	-	5,927
-	-	-	Leasehold Incentive arrangement	-	-	-
-	7,071	7,071	(Over)/under financed carried forward at 31 March	-	8,563	8,563
25,290	1,423	26,713		18,066	1,492	19,558

Revenue Expenditure Funded from Capital under Statute (REFCUS) represents charges to the Comprehensive Income and Expenditure Statement for capital grants to Merseytravel, which are utilised by it to fund its' capital expenditure.

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

Group 2014/15 £000	LCRCA 2014/15 £000		Group 2015/16 £000	LCRCA 2015/16 £000
18,738	18,738	Capital grants and contributions	44,114	44,114
0	0	Less amounts paid to districts and partners	(25,784)	(25,784)
(149)	(149)	Less: amounts not yet applied	(6,192)	(6,192)
18,589	18,589		12,138	12,138
		Other capital receipts		
101	19	Disposal of assets	232	1
0	0	Less amounts not yet applied	0	0
101	19		232	1
18,690	18,608		12,370	12,139

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19. Intangible assets

The LCRCA Group has intangible assets as a result of goodwill arising on the purchase of Gemtex Ltd and The Beatles Story by its subsidiary company Mersey Ferries Ltd. In addition, the Group also classes the purchase of software licenses as intangible assets and amortises them over the life of the licence.

2014/15				2015/16		
Goodwill on Consolidation	Licenses & Fab 4D Film	Total		Goodwill on Consolidation	Licenses & Fab 4D Film	Total
£000's	£000's	£000's		£000's	£000's	£000's
			Cost or valuation:			
			Opening balance:			
2,803	20	2,823	Gross carrying amount	2,803	359	3,162
-	333	333	Reclassification of assets	-	-	-
-	6	6	Additions in year	-	21	21
(1,108)	(20)	(1,128)	Accumulated amortisation	(1,108)	(90)	(1,198)
1,695	339	2,034	Opening net carrying amount	1,695	290	1,985
			Amortisation and impairment:			
-	(70)	(70)	Amortisation	-	(56)	(56)
1,695	269	1,964	Net carrying amount at end of year	1,695	234	1,929
		-	Comprising:			
2,803	359	3,162	Gross carrying amount	2,803	380	3,183
(1,108)	(90)	(1,198)	Accumulated amortisation	(1,108)	(146)	(1,254)
1,695	269	1,964		1,695	234	1,929

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

The LCRCA has performed its annual impairment test as at 31 March 2016. The recoverable amount of The Beatles Story is determined on a value in use basis using cash flow projections based on financial budgets approved by the board for the next 5 years. The discount rate applied to the cash flows is 6.0% as per Treasury Green Book recommendation (2015: 6%). The growth rate used to extrapolate the cash flows beyond the 2016/17 year period is 3% for expenditure and 1% for income growth. (2014/15 3% for expenditure and 1% for income), which is consistent with expected growth rates over previous years in this business area. Some sensitivity analysis was then applied to these assumptions resulting in little change to the original values. The resultant calculation showed the value of implied goodwill was consistent with that shown in the group balance sheet and no impairment was required for 2015/16.

LIVERPOOL CITY REGION COMBINED AUTHORITY
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

20. Investments

Name	Immediate parent	Group holding	Nature of the business	Equity % 31/3/16
Mersey Ferries Ltd	Merseytravel	Company limited by guarantee	Passenger Transport	N/A
Merseyside Passenger Transport Service Ltd	Merseytravel	25 £1 Ord. Shares 375 £1 5% Non Cumulative Pref shares	Leasing	100
Real Time Information Group Limited	Merseytravel	1 £1 Ord Shares	Real Time Information systems	100
Accrington Technologies Ltd	Merseytravel	500 £1 Ord Shares	Smartcard	50.1
The Beatles Story Ltd	Mersey Ferries Ltd	290,000 £1 Ord Shares	Tourism	100

All companies are incorporated in the United Kingdom

Dormant companies

The LCRCA has no directly owned subsidiaries. However, Merseytravel does - Merseytravel Ltd is a wholly owned subsidiary that was dormant in the year ended 31 March 2016.

Group:

Group accounts consolidate the results of all active subsidiaries.

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

Group	2015
	£000s
Equity investment held at cost	0

21. Short term Investments

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

22. Assets held for sale:

Group 2014/15 £000's	LCRCA 2014/15 £000's		Group 2015/16 £000's	LCRCA 2015/16 £000's
-	-	Balance outstanding at the start of the year	180	-
-	-	Assets newly classified as held for sale:	-	-
180	-	Merseytram assets	-	-
-	-	Assets sold	(180)	-
180	-	Balance outstanding at the year end	-	-

22. Assets held for sale: (continued)

Profit/Loss on disposal of property, plant and equipment

The reported gain or loss on disposal is calculated as the net sales proceeds less the net carrying value of the assets comprising both the carrying value of the assets sold and any unamortised grant outstanding. For 2015/16 Group this was a £51k surplus in relation to the disposal of non-operational tram rails (2014/15 £24k loss re the disposal of surplus land).

23. Inventories

Group 2014/15 £000	LCRCA 2014/15 £000	Reconciliation	Group 2015/16 £000	LCRCA 2015/16 £000
1,038	622	Balance outstanding at the start of the year	1,070	565
} 32	} (57)	Purchases	} 3	} 35
		Recognised as an expense in the year		
		Written off in the year		
1,070	565	Balance outstanding at the year end	1,073	600

Group 2014/15 £000	LCRCA 2014/15 £000	Analysis	Group 2015/16 £000	LCRCA 2015/16 £000
453	400	General stores and consumables	453	408
452	-	Retail stock	420	-
161	161	Fast Tags	185	185
4	4	Fuel	7	7
-	-	Uniforms	8	-
1,070	565	Total	1,073	600

24. Short and long term debtors

a) Amounts falling due within one year:

	Group		LCRCA	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Central Govt bodies *	2,240	2,296	281	16
Other Local Authorities	3,340	5,934	-	3
NHS bodies	26	14	-	-
Other bodies	19,427	13,386	6,510	6,260
Public Corporations and trading funds	-	-	-	-
Total current trade and other receivables	25,033	21,630	6,791	6,279

* Under a group registration scheme, VAT recoverable by Merseytravel of £1,499k (2014/15 £1,688k) has been consolidated and is included in Central Govt. bodies for the Group.

Trade receivables are non-interest bearing and are generally on terms of 30 days or less. They are shown net of a provision for impairment. For terms and conditions pertaining to related parties, refer to note 33. At 31 March 2016 Group trade receivables had a nominal value of £1,172k (2014/15 £1,171k). Movements in the provision for impairment of receivables were as follows:

24. Short and long term debtors (continued)

Group 2014/15 £000	LCRCA 2014/15 £000	Bad debt provision	Group 2015/16 £000	LCRCA 2015/16 £000
310	1	Opening provision	305	-
		Charge for the year	3	-
(5)	(1)	Amounts written off	(248)	-
-		Amounts recovered	(47)	-
305	-	Closing provision	13	-

As at 31 March 2016, the aged analysis of unimpaired trade receivables was as follows:

	Total £000	Neither overdue nor impaired £000	Overdue but not impaired			
			29-50 days £000	51-90 days £000	91-185 days £000	>186 days £000
Group						
31-Mar-15	866	697	132	33	4	0
31-Mar-16	1,160	870	170	72	25	23
LCRCA						
31-Mar-15	89	89	0	0	0	0
31-Mar-16	42	38	1	2	1	0

b) Amounts falling due after more than one year:

	Group		LCRCA	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Other receivables	758	777	3,382	3,523
Total	758	777	3,382	3,523

The LCRCA has a long term loan to Merseytravel which was used to fund the purchase of The Beatles Story Ltd. It is repayable in annual instalments and will expire in 2032/33. Principal repayments in 2015/16 were £134k (2014/15 £128k). It is extinguished upon consolidation. The other receivables are assessed as recoverable and no impairment is required.

25. Cash and cash equivalents

Group 2014/15 £000	LCRCA 2014/15 £000		Group 2015/16 £000	LCRCA 2015/16 £000
21,773	(24,649)	Cash and bank current account	15,432	(33,294)
19,181	19,181	Short term deposits with banks and building societies	14,311	14,311
40,954	(5,468)	Total	29,743	(18,983)

The LCRCA holds Merseytravel's cash balances of £48,727k (2014/15 £46,422k) for investment purposes. Merseytravel deposits its surplus cash funds with the LCRCA for periods between one day and three months depending on the immediate cash requirements of the respective entities.

26. Short Term Creditors

	Group		LCRCA	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Creditors due within 1 year:				
Central Government Bodies	9,069	1,013	7,502	281
Other Local Authorities	3,942	5,446	2,645	4,409
NHS Bodies		-		-
Public Corporations	10	-	-	-
Other Entities and Individuals	31,839	24,410	41,354	33,927
	44,860	30,869	51,501	38,617

£30,200k (2014/15 £27,100k) held by the LCRCA and invested on behalf of Merseytravel is included in "Other Entities and Individuals" for the LCRCA.

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

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

27. Provisions

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

	Group		LCRCA	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Provisions				
Short term	208	180	26	26
Long term	3,810	3,894	1,641	1,589
	4,018	4,074	1,667	1,615

Group	Total £000	Govt Initiatives £000	Contractual Obligations £000	Employment Related £000	Capital Expenditure £000	Contracted Maintenance £000	Taxation/ Leases £000
At 1 April 2015	4,074	200	1,005	650	1,300	919	-
Arising during the year	340	-	132	208	-	-	-
Reversed in year	(320)	-	(108)	(212)	-	-	-
Utilised during the year	(76)	-	(50)	(26)	-	-	-
At 31 March 2016	4,018	200	979	620	1,300	919	-

27. Provisions (continued)

LCRCA	Total £000	Govt Initiatives £000	Contractual Obligations £000	Employment Related £000	Capital Expenditure £000	Contracted Maintenance £000	Taxation/ Leases £000
At 1 April 2015	1,615	200	50	65	1,300	-	-
Arising during the year	128	-	128	-	-	-	-
Reversed in year	-	-	-	-	-	-	-
Utilised during the year	(76)	-	(50)	(26)	-	-	-
At 31 March 2016	1,667	200	128	39	1,300	-	-

Significant provisions for both CA and Group relate to:

- Government initiatives relates to the purchase of “carbon credits”;
- Contractual obligations relate to the Merseytram project and insurance claims;
- Employment related, are principally annual leave entitlements outstanding at the year end, pension obligations and job evaluation/harmonisation provisions;
- Capital expenditure relates to possible claw back of ERDF grant;
- Contracted maintenance relates to works previously thought to be rechargeable to a third party, and dredging costs

28. Contingent Assets and Liabilities

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

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29. Financial Instruments

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

LCRCA	Carrying Amount		Fair Value	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Loans & Receivables				
Financial Assets:				
Long term loans and receivables	3,382	3,523	3,382	3,523
Current loans and receivables	141	134	141	134
Current financial assets carried at contract amounts	5,358	4,825	5,358	4,625
Long-term debtor	-	-	-	-
Short term investments	184,608	132,446	184,608	132,446
Cash & cash equivalents	(18,983)	(5,468)	(18,983)	(5,468)
Financial Liabilities:				
Current trade payables	14,875	6,420	14,875	6,420
Amounts deposited from Merseytravel	30,200	27,100	30,200	27,100
Interest bearing loans and borrowings measured at amortised cost:				
Fixed rate borrowings - due within one year	10,820	10,773	15,311	13,062
Fixed rate borrowings - due after one year	202,707	213,527	298,586	312,071

Group	Carrying Amount		Fair Value	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Financial Assets:				
Equity investments held at cost	-	-	-	-
Loans & Receivables	-	-	-	-
Current loans and receivables	34	38	34	38
Current financial assets carried at contract amounts	18,284	13,076	18,284	13,076
Long-term debtor	758	777	758	777
Short term investments	184,608	132,446	184,608	132,446
Cash & cash equivalents	29,743	40,954	29,743	40,954
Financial Liabilities:				
Current trade payables	31,734	25,418	31,734	25,416
Interest bearing loans and borrowings measured at amortised cost:				
Fixed rate borrowings - due within one year	10,820	10,773	15,311	13,062
Fixed rate borrowings - due after one year	202,707	213,527	298,586	312,071

29. Financial Instruments (continued)

Analysis of borrowing repayable

LCRCA	Range of Interest Rates Payable	Total Outstanding	
		2015/16	2014/15
Source of Loan		£000	£000
Public Works Loan Board	Variable Rates	-	-
Public Works Loan Board	4.3% to 7.7% average rates	190,642	199,127
Department of Transport	4.7%	-	-
Wirral MBC	5.8%	22,885	25,173
		213,527	224,300
An analysis of loans by maturity is:			
Maturing in -			
- within one year		10,820	10,773
- 1 to 2 years		10,827	10,820
- 2 to 5 years		31,960	32,106
- 5 to 10 years		48,094	49,439
- More than 10 years		111,826	121,162
		213,527	224,300

Fair Values of Assets and Liabilities

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

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

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

The discount rates used for the evaluation were obtained by LCRCA from the Public Works Loan Board and the fair value of borrowing through the PWLB has been calculated by reference to the premature repayment set of rates in force on 31 March 2015 and 31 March 2016 respectively. For both years, the respective interest rates have been used as a discounting factor applied to future cash flows of the undischarged balance of the loans at 31 March 2015 and 2016. A similar calculation has been done for the fair value of the Wirral MBC loans using the national loans rates at 31 March 2015 and 2016 as discount factors.

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

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

No loans were taken out during 2015/16 and there are no loans are secured against the LCRCA's assets. The fair values of the following classes of financial instruments approximate their carrying

29. Financial Instruments (continued)

amounts due to the short term maturities of these instruments:

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

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

Group & LCRCA	2015/16 £000			
	Financial Liabilities measured at amortised cost		Financial Assets: Loans and Receivables	
	Authority	Group	Authority	Group
Interest expense	(12,254)	(12,433)	-	-
Impairment losses (bad debts)	-	-	-	-
Total expense in Surplus of Deficit on the Provision of Services	(12,254)	(12,433)	-	-
Interest Income			2,259	2,438
Total income in Surplus or Deficit on the Provision of Services			2,259	2,438
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-
Surplus or deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-	-
Net gain/(loss) for the year	(12,254)	(12,433)	2,259	2,438

Risk Factors

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the 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 LCRCA's customers. The risk is minimised through the Treasury Management Strategy. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of P1 and A3 (Moody's) and/or F1 and A (Fitch's), with weightings of the total amount deposited in the highest rated categories. The LCRCA has a policy of spreading its surplus balances over several institutions.

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

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29. Financial Instruments (continued)

	Amount at 31 March 2016	Historical Experience of default %	Historical experience adjusted for market conditions at 31 March 2016	Estimated maximum exposure to default and uncollectability as at 31 March 2016	Estimated maximum exposure to default and uncollectability as at 31 March 2015
Group					
Trade receivables	1,159	21	916	916	1,171
External loans receivable	141	-	141	141	134
Group loans receivable	-	-	-	-	-
				1,057	1,305
LCRCA					
Trade receivables	41	4	39	39	7
External loans receivable	-	-	-	-	-
Group loans receivable	3,382	-	3,382	3,382	3,523
				3,421	3,530

Liquidity risk

As the LCRCA 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 LCRCA 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 LCRCA 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 LCRCA 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 LCRCA 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 LCRCA holds no financial instruments that could be classified as hedging instruments.

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30. Reserves

(a) Useable Reserves

The following table details the reserves and the position as at 31 March 2016:

	As at 01 April 2015 £000	Transfers out £000	Transfers in £000	As at 31 March 2016 £000
Capital reserve	9,021	-	-	9,021
Infrastructure reserve	21,628	-	21,585	43,213
Revenue reserve	1,142	-	-	1,142
Rail financing reserve	49,520	-	-	49,520
Restructuring reserve	1,286	-	-	1,286
Grant/Contributions unapplied reserve	8,082	-	6,192	14,274
Tunnels reserve & renewals reserve	5,757	-	-	5,757
LCRCA Earmarked reserves	96,436	-	27,777	124,213
Merseytravel Group Earmarked reserves	67,877	(8,013)	12,158	72,022
LCRCA Group Earmarked reserves	164,313	(8,013)	39,935	196,235

- Capital reserve – is used to support the LCRCA's funding of capital programmes
- Infrastructure reserve – has been created to support the strategic decisions of the LCRCA
- Revenue reserve – created to allow funding for unbudgeted financial events during the year
- Rail Financing reserve – has been created to support the proposed delivery of a new rolling stock fleet
- Restructuring reserve – created to provide support to staffing cost implications of service transformation programmes
- Grants/Contributions unapplied – represents grants etc. received but not yet utilised, to support the delivery of the capital programmes
- Tunnels Repairs and Renewals fund – used to support the Tunnels capital programme (see note below)

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. Budgets for 2015/16 assumed there would be no transfer from the fund to part finance the Tunnels capital programme. The Fund's value remained at £5.8m as at 31 March 2016.

(b) Unusable Reserves

	Group		LCRCA	
	2015/16	2014/15	2015/16	2014/15
	£000s	£000s	£000s	£000s
Pension Reserve	(94,246)	(102,192)	-	-
Revaluation Reserve	12,674	12,671	841	840
Capital Adjustment Account	69,033	57,331	69,033	57,331
Financial Instruments adj account	(4)	9	(4)	9
Deferred Capital Grants	90,973	92,938	-	-
Total Unusable Reserves	78,430	60,757	69,870	58,180

30. Reserves (continued)

(c) Pensions Reserve

The Pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post -employment benefits and for funding benefits in accordance with statutory provisions. The LCRCA 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 LCRCA makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the LCRCA has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Group	LCRCA		Group	LCRCA
2014/15	2014/15		2015/16	2015/16
£000	£000		£000	£000
(78,738)	(11,537)	Balance at 1 April	(102,192)	-
-	-	Actuarial (gains)/losses	-	-
(23,231)	-	Remeasurements assets and liabilities	9,877	-
(7,561)	-	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(8,446)	-
-	11,537	Transfer of deficit to Merseytravel*	-	-
7,338	-	Employers Pension Contributions and direct payments to pensioners in the year	6,515	-
(102,192)	-	Balance at 31 March	(94,246)	-

* relates to the abolition of MITA and the TUPE of staff to Merseytravel with effect from 1/4/14. All liabilities transferred to Merseytravel at this date.

(d) Revaluation Reserve

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

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

Group	LCRCA		Group	LCRCA
2014/15	2014/15		2015/16	2015/16
£000	£000		£000	£000
12,453	348	Balance at 1 April	12,671	840
(2,787)	(2,513)	Downward revaluation and impairment losses not charged to the surplus/deficit on the provision of services	-	-
3,005	3,005	Upward revaluation of assets	3	1
-	-	Difference between fair value depreciation and historical cost depreciation	-	-
-	-	Accumulated gains on assets sold or scrapped	-	-
12,671	840	Balance at 31 March	12,674	841

30. Reserves (continued)

(e) **Capital Adjustment Account**

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

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

Group 2014/15 £000	LCRCA 2014/15 £000		Group 2015/16 £000	LCRCA 2015/16 £000
47,514	47,514	Balance at 1 April	57,331	57,331
(3,556)	(3,556)	Reversal of items relating to capital expenditure debited or credited to the Income and Expenditure Statement:	(3,504)	(3,504)
(18,663)	(18,663)	Revenue funded from capital under statute	(9,457)	(9,457)
(3,005)	(3,005)	Amounts written out to the Revaluation Reserve	(1)	(1)
22,290	22,290	Net written out amount of the cost of non-current assets consumed in the year	44,369	44,369
		Capital financing applied in the year:		
18,663	18,663	Capital grants and contributions credited to the Income and Expenditure Statement that have been applied to capital financing	9,457	9,457
9,676	9,676	Statutory provision for the financing of capital investment charges against the General Fund	9,280	9,280
6,702	6,702	Capital expenditure charged against the General Fund	5,927	5,927
57,331	57,331	Balance at 31 March	69,033	69,033

(f) **Financial Instruments Adjustment Account**

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

30. Reserves (continued)

(g) Deferred Capital Grants

2014/15 £000's	GROUP	2015/16 £000's
95,579	Balance at 1 April	92,938
-	Revaluation reserve depreciation charge	
-	Grants received LCRCA	
-	Grants received European Union	
	Grants Applied:	
3,717	Property plant and equipment	3,000
-	Deferred charges	-
-	Re EU schemes	-
-	Transfer from Capital reserves	-
-	Use of capital receipts	-
	Released to Revenue:-	-
(106)	Disposal of PPE	(189)
1,792	Revaluation reserve adjustment	
(8,044)	Depreciation/Impairment charge	(4,776)
92,938	Balance at 31 March	90,973

31. Pension Costs

Although the LCRCA does not employ staff, the Group position shows the impact of the Pension arrangements for the staff employed by Merseytravel. As part of the terms and conditions of employment of its officers and other employees, Merseytravel offers retirement benefits. The Merseyside Pension Fund administers, on Merseytravel's behalf, a Local Government Superannuation Scheme that provides for the cost of meeting the future pension liabilities of Merseytravel's workforce. This is a funded defined benefit final salary scheme, meaning that Merseytravel and its' employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets. The contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, the last of which was carried out as at 31 March 2013 by Mercer, a firm of Actuaries specializing in Pensions. Under Pension Fund regulations contribution rates are set to meet the estimated overall liabilities of the Fund.

The LCRCA funds Merseytravel's employer's contribution of £6,515k (2014/15 £7,338k), to the Pension Fund, representing 14.4% of pensionable pay. The contribution rate is determined by the Fund's actuary based on triennial actuarial valuations, the next review being effective from 1 April 2016. Under Pension Fund regulations contribution rates are set to meet the overall liabilities of the Fund.

Transactions relating to retirement benefits

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

LIVERPOOL CITY REGION COMBINED AUTHORITY
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

31. Pension Costs (continued)

(i) Income and expenditure statement:

Group 2014/15 £000s		Group 2015/16 £000s
	Income and Expenditure Statement:	
	<i>Net cost of services:</i>	
4,356	Current service cost	5,140
38	Past service cost/(gain)	-
103	Administration expenses	102
58	Settlements and Curtailments	38
	<i>Financing and Investment Income and Expenditure:</i>	
3,006	Net Interest cost	3,166
7,561	<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	8,446
	<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	
-	Actuarial (gains)/losses	-
	Remeasurements -Liabilities Experience (gain)/loss	-
40,358	Remeasurements - (Gain)/Loss financial assumptions	(15,929)
	Remeasurements - (Gain)/Loss on demographic assumptions	
(17,127)	Remeasurements (assets)	6,052
23,231	<i>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>	(9,877)
	Movement in Reserves Statement:	
(23,454)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	7,946
(23,454)	<i>Total Post Employment Benefits Charged in the year to the Movement in Reserves Statement</i>	7,946
	Summary of amounts charged to Reserves and Income and Expenditure Statement:	
7,338	Employer's contributions payable to the scheme	6,515
13,232	Retirement benefits payable to pensioners	13,204

(ii) General Fund Balance

Group 2014/15 £000s		Group 2015/16 £000s
	Actual amount charged against the General Fund Balance for pensions in the year:	
7,338	Employer's contributions	6,515

**LIVERPOOL CITY REGION COMBINED AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

31. Pension Costs (continued)

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

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

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

Group 2014/15 £000s		Group 2015/16 £000s
172,251	Fair value of plan assets at 1 April	235,932
-	Expected return on plan assets	-
9,604	Interest on plan assets	7,466
-	Actuarial (gains)/losses	-
17,127	Remeasurements	(6,052)
(103)	Administration expenses	(102)
-	Settlements	-
41,535	Business Combinations	-
7,338	Employer contributions	6,515
1,412	Member contributions	1,419
(13,232)	Benefits/transfers paid	(13,204)
235,932	Fair value of plan assets at 31 March	231,974

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the date of the Statement of Financial Position. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on plan assets for the Group was £26.7m.

(v) Scheme history

Group 2014/15 £000's		Group 2015/16 £000's
(338,124)	Present value of scheme liabilities	(326,220)
235,932	Fair value of scheme assets	231,974
(102,192)	Surplus/(deficit) in the scheme	(94,246)

**LIVERPOOL CITY REGION COMBINED AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

31. Pension Costs (continued)

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

(vi) Pension contributions for 2016/17

The total estimated contributions expected to be made to the Scheme by the Group in the year to 31 March 2017:

	£'000
Expected Employer Contribution	2,356
14.4% of Pensionable Pay (£20.4m)	2,938
Unfunded Pension Liabilities	747

	6,041
	=====

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis by Mercer, an independent firm of actuaries, using the projected unit method, which is an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. It is based on the latest full valuation of the scheme as at 31 March 2013. The principal assumptions used by the actuary were:-

(i) Other assumptions

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

History of gains and losses

2014/15		Group	2015/16	
£000	%		£000	%
17,127	7.0	Remeasurements - assets	(6,052)	(2.6)
(40,358)	(12.0)	Remeasurements - liabilities	15,929	4.9
(23,231)	3.0%	Total	9,877	
		Discount Rate		3.5%

**LIVERPOOL CITY REGION COMBINED AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

31. Pension Costs (continued)

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

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

Group Pension Fund Sensitivity Analysis as at 31 March 2016:

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

Detailed Asset Breakdown as at 31st March 2016:

Asset category	Group Sub-category	Quoted	31/3/2015	%	31/3/2016	%
			£000		£000	
Equities	UK Quoted	Y	56,293	24	50,174	22
	Global quoted	Y	71,061	30	69,981	30
Bonds	UK Government	Y	11,797	5	10,644	5
	UK Corporate	Y	6,111	3	5,619	2
	UK Index linked	Y	23,027	10	20,584	9
Property	UK Direct	N	13,212	6	13,295	6
	Property Managed - (UK quoted)	Y	779	0	949	0
	Property Managed - (UK unquoted)	N	3,138	1	3,682	2
	Property Managed - (Global)	N	2,359	1	2,734	1
Alternatives	Private equity - (UK quoted)	Y	94	0	45	0
	Private equity - (UK unquoted)	N	7,054	3	8,520	4
	Private equity - (Global unquoted)	N	6,465	3	7,461	3
	Hedge funds - (UK quoted)	Y	590	0	587	0
	Hedge funds - (UK unquoted)	N	1,274	1	1,253	1
	Hedge funds - (Global unquoted)	N	7,196	3	6,263	3
	Infrastructure - (Global quoted)	Y	637	0	935	0
	Infrastructure - (UK unquoted)	N	3,303	1	4,660	2
	Infrastructure - (Global unquoted)	N	1,958	1	2,990	1
	Opportunities - (UK quoted)	Y	4,318	2	4,016	2
Cash	Opportunities - (UK unquoted)	N	4,837	2	6,618	3
	Opportunities - (Global quoted)	Y	708	0	312	0
	Opportunities - (Global unquoted)	N	2,572	1	2,678	1
	Cash instruments	Y	7,149	3	7,974	3
			235,932	100	231,974	100

32. Prudential Borrowing

The LCRCA is required under the Local Government Act 2003 and the Prudential Code for Capital Finance in Local Authorities, (developed by CIPFA) to monitor its performance against a framework of indicators. These indicators set limits of performance, affordability, prudence and sustainability and are comparable to the estimated indicators approved by the LCRCA at its meeting on 5 February 2016:-

LCRCA	2015/16 Revised Estimate	2015/16 Actual
	£m	£m
Capital Expenditure		
Transport - Other	15.9	12.1
Tunnels	7.5	5.9
Programme Slippage		
	23.4	18.0
Ratio of Financing Costs to net Revenue Stream	15.5%	14.9%
Capital Financing Requirement (Including Transferred Debts)	223.9	222.6

33. Related party disclosures

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

(a) Directors and LCRCA members

A Merseytravel director has a dual role as a chief officer of both Merseytravel and the Combined LCRCA respectively:

- Director of Resources/Treasurer

However, this officer is directly employed and receives remuneration from Merseytravel.

Further officers also have dual roles as officers for their own organisation and the Combined LCRCA:

- Monitoring officer for both St Helens Council and the Combined LCRCA
- Head of Paid Service for LCRCA, and Chief Executive Liverpool City Council

These officers are also directly employed by and receive remuneration from their respective employing organisations.

In some instances Merseytravel directors are also directors of Merseytravel's subsidiary companies. All directors' emoluments and member allowances are met in full by Merseytravel.

All members have at least two roles under the Local Government Act 1985 in that they represent both the District Councils and the Combined. Several members also represent certain other bodies including the Local Government Association, CA Special Interest Group, Mersey Dee Alliance, North West LA's Employers Organisation, North West Rail Forum, West Coast Rail Campaign, North of England Regional Consortium (including North West Regional Association, North West Partnership & North West Regional Chamber), Merseyside Strategic Transportation & Planning Committee, Travel Safe Board, Local Enterprise Partnership, the City Region Board

**LIVERPOOL CITY REGION COMBINED AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

33. Related party disclosures (continued)

and Mersey Ferries Ltd. It is deemed that there is no conflict of interest.

Transactions with the above external bodies may include grants or contributions with specific conditions and requirements imposed upon the LCRCA. The majority of these will follow statutory or other Government guidance. Members set the levy in consultation with District Councils. The Levy funds the balance of service costs not covered by income or grant and for 2015/16 £113,700 was paid by the District Councils (2014/15 £127,364). The LCRCA also set the Tolls for Mersey Tunnels after consultation.

Details of Member's allowances are set out in note 10.

(b) Directors to Merseytravel's Subsidiary Companies

Note 20 details the LCRCA's Group subsidiary companies. The Objectives of the subsidiary companies are compatible with those of the LCRCA

(c) Subsidiary Companies

The LCRCA controls its subsidiaries, as set out in note 20. As the LCRCA operates one bank account, an inter-company debt exists between the LCRCA and Merseytravel of £48,510k (2014/15 £46,167k). In addition the following were the transactions during the year and balances at the year end with Merseytravel:

	Transactions during year		Balances at 31 March	
	Income from £000	Expenditure with £000	Receivable from £000	Payable to £000
Merseytravel (grant-related) 2016	-	209,275		
Merseytravel (short term deposits) 2016				30,200

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

(d) Merseyside Pension Fund

The Merseyside Pension Fund, which is administered by Wirral Council, is considered a related party as Merseytravel is a member of the Pension Fund. Full details of transactions with the Pension fund are set out in note 31

(e) UK government

In 2015/16 the LCRCA received:

- Strategic Rail Grant of £81,522k (2014/15 £95,438k)
- Local Transport Plan (LTP) Grant funding of £4.6m (2014/15 £9.0m)
- Better Bus Area Grant of £178k (2014/15 £203k)
- Clean Bus grant of £497k (2014/15 £420k)
- Local Growth Fund grant £32.0m (2014/15 £nil)
- Skills for Growth £1.55m (2014/15 £nil)
- Growth Hub £550k (2014/15 £nil)

(f) PWLB– the LCRCA has a substantial loans portfolio with this body and details of the transactions and balances are set out in note 29.

LIVERPOOL CITY REGION COMBINED AUTHORITY
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

34. Commitments

Capital Commitments

As at 31 March 2016 the LCRCA was contractually committed to further capital works which amounted to approximately £9.9m (2014/15 £7.2m). The Group position showed commitments of £23.3m (2014/15 £14.7m) Major contracts included the following schemes:-

Group 2014/15 £000 Budget	LCRCA 2014/15 £000 Budget		Group 2015/16 £000 Budget	LCRCA 2015/16 £000 Budget
7,220	7,220	Mersey Tunnels	9,905	9,905
200	-	Electric charging posts	0	-
825	-	Formby rail station access	0	-
0	-	Halton Curve	1,784	-
0	-	Maghull North	1,315	-
5,200	-	Newton le Willows	8,188	-
100	-	Clean bus grants	0	-
0	-	Kirkby bus station	750	-
953	-	Ferries Improvements	250	-
165	-	Other Schemes	1,075	-
14,663	7,220	Total Capital Commitments	23,267	9,905

LCRCA Lease commitments

The LCRCA entered into a 30 year non-cancellable operating lease for its new headquarters building at Mann Island. The LCRCA received an incentive from the developer of £9m which equates to a 3 year rent free period, and which was used to finance the cost of bringing the building to a Category B fit out and also to finance the purchase of ICT and furniture. The incentive is being amortised over the life of the lease with the deferred credit at 31 March 2016 of £8,401k (2014/15 - £8,751k) shown in the balance sheet as Other Long Term Liabilities, £8,051k and £350k included within current liabilities.

The LCRCA has no assets held under finance leases.

Group Lease Commitments

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

Group 2014/15 £000	LCRCA 2014/15 £000		Group 2015/16 £000	LCRCA 2015/16 £000
		Operating leases which will expire:		
15,019	2,861	Within 1 year	15,553	3,360
44,879	11,444	Within 2 to 5 years	34,778	13,440
62,942	62,942	Over 5 years	70,558	70,558

The LCRCA will receive sublease income in respect of the above properties of £637k (2014/15 £467k) per annum (£5,114k in total) under non-cancellable property subleases – please see below.

**LIVERPOOL CITY REGION COMBINED AUTHORITY
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016**

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

The lease with Angel Trains was due to expire in March 2015. However, this was extended until new rolling stock becomes available or the existing fleet undergoes a major refurbishment. The lease costs in the above table reflect the existing position of expiry in December 2018.

Lessor

The LCRCA, through Merseytravel, holds several operating leases with third parties. These are for interchange sites and ferry terminals in the Merseyside area. These non -cancellable leases have remaining terms of between 1 and 16 years.

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

Group 2014/15 £000's	LCRCA 2014/15 £000's		Group 2015/16 £000's	LCRCA 2015/16 £000's
		Operating leases which will expire:		
1,061	467	Within 1 year	1,244	637
4,189	1,867	Within 2 to 5 years	4,935	2,548
9,070	2,055	Over 5 years	6,952	1,929

Departure charges and facility fees charged to bus operators for the use of Merseytravel's bus stations are not included in the above table. For 2015/16, Merseytravel received £1,099k (2014/15 £1,104k) for these fees.

35. Post balance sheet events

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

There have been no significant events since 31 March 2016 that are relevant to an understanding of the LCRCA's financial position.

LIVERPOOL CITY REGION COMBINED AUTHORITY GLOSSARY OF FINANCIAL TERMS

ACCOUNTING POLICIES

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

ACCRUALS

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

BALANCES (OR RESERVES)

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

CAPITAL EXPENDITURE

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

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL RECEIPTS

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

CENTRAL SUPPORT SERVICES

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

COMMUNITY ASSETS

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE AND DEMOCRATIC CORE

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

CREDITORS

Amounts owed by the LCRCA for goods and services received but not paid for as at 31st March.

DEBTORS

Amounts owed to the LCRCA for goods and services provided but where the associated income was not received as at 31st March.

DEFINED BENEFIT SCHEME

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

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directly related to the investments of the scheme.

DEFERRED CAPITAL INCOME

Deferred Capital Income comprises amounts derived from sales of assets which will be received in instalments over agreed periods of time.

DEFINED CONTRIBUTION SCHEME

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

DEPRECIATION

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

EXCEPTIONAL ITEMS

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

FINANCE LEASE

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

FIXED ASSETS

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

GENERAL FUND

The account to which the cost of providing the LCRCA Services is charged that are paid for from Council Tax and Government Grants

IMPAIRMENT

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE FIXED ASSETS

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

LONG TERM DEBTORS

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

MINIMUM REVENUE PROVISION

The minimum amount that the LCRCA must charge to the income and expenditure account to provide for the repayment of debt.

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.

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NET REALISABLE VALUE

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

NON-DISTRIBUTED COSTS

Non-distributed costs are defined as comprising:

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

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

PAST SERVICE COST

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

POST BALANCE SHEET EVENTS

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

PRIOR YEAR ADJUSTMENT

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

PROVISIONS

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

PRUDENTIAL CODE

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

RELATED PARTIES

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

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

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

RELATED PARTY TRANSACTION

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

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

RESERVES

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

REVENUE EXPENDITURE

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS

This note effectively replaces the statement of movement on General Fund balances and presents all adjustments made to the CIES to deflect unnecessary impact on the general fund reserve and therefore council tax payer.

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

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

MOVEMENT IN RESERVES STATEMENT

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

LIVERPOOL CITY REGION COMBINED AUTHORITY GLOSSARY

Glossary of Acronyms used in these Accounts

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

PAGES NOT FORMING PART OF THE AUDITED ACCOUNTS

Mersey Tunnels Revenue Account

For the year ended 31 March 2016

2014/15 £000		2015/16 £000
	<u>Operating Expenditure</u>	
4,367	Employees	4,434
1,498	Premises	1,911
1,438	Supplies & Services	1,700
164	Transport	166
7,321	Central Support Services	7,077
14,788	Total Operating Expenditure	15,288
	<u>Asset Financing</u>	
5,490	Capital Charges	4,914
6,682	Revenue Contributions to Capital Outlay	5,927
3,663	Levy Repayment	-
-	Transfers to/(from) Repairs & Renewals Fund	-
15,835	Total Asset Financing	10,841
30,623	Total Expenditure	26,129
	<u>Income</u>	
43,327	Toll Income	44,198
354	Fees and Other Charges	403
-	Release of provision	-
43,681	Total Income	44,601
(13,058)	(Surplus)/Deficit before charging	(18,472)
13,058	Tunnels Act 2004	18,472
-	Total Deficit	-

PAGES NOT FORMING PART OF THE AUDITED ACCOUNTS

Mersey Tunnels Balance Sheet as at 31 March 2016

As at 31/03/2015 Tunnels £000		As at 31/03/2016 Tunnels £000
	NON-CURRENT ASSETS	
	Property, Plant & Equipment:	
4,593	Freehold Property	5,035
-	Leasehold Property	-
1,516	Vehicles, Plant, Furniture & Equipment, Vessels	1,621
277,875	Infrastructure Assets	279,768
450	Community Assets	450
55	Surplus Assets	55
284,489	Total PPE	286,929
-	Investments	-
-	Long Term Debtors	-
284,489	TOTAL NON-CURRENT ASSETS	286,929
	CURRENT ASSETS	
566	Inventories	602
344	Short Term Debtors	534
5	Rechargeable accounts	5
26,894	Cash and cash equivalents	28,428
27,809	TOTAL CURRENT ASSETS	29,569
312,298	TOTAL ASSETS	316,498
	CURRENT LIABILITIES	
(1,811)	Deferred Liabilities - repayable within 12 months	(1,811)
-	Internal loan - repayable within 12 months	-
(840)	Long Term Borrowing - repayable within 12 months	(811)
(5,809)	Short Term Creditors	(6,557)
(26)	Provisions	(14)
(8,486)	TOTAL CURRENT LIABILITIES	(9,193)
19,323	NET CURRENT ASSETS	20,376
	NON-CURRENT LIABILITIES	
	Long Term Creditors	
(88)	Provisions	(153)
(18,111)	Deferred Liabilities	(16,300)
-	Internal loan	
(20,155)	Long Term Borrowing	(19,473)
-	Other Long Term Liabilities	
(38,354)	TOTAL NON CURRENT LIABILITIES	(35,926)
265,458	NET ASSETS	271,379
	FUNDS BALANCES & RESERVES	
5,756	Useable Reserves - Repairs and Renewals Fund	5,756
840	Unusable Reserves - Revaluation reserve	842
258,862	Unusable Reserves - Capital Adjustment Account	264,781
265,458	TOTAL RESERVES	271,379

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