joining up journeys

SPT

Strathclyde Partnership for Transport
Financial Statements for the year ended 31 March 2010

Contents

Members of the Partnership
(as at 31 March 2010)

Member	Representing
Duncan MacIntyre	Argyll & Bute Council
Bobby McDill	East Ayrshire Council
Alan Moir	East Dunbartonshire Council
Eddie Phillips	East Renfrewshire Council
Archie Graham	Glasgow City Council
Jonathan Findlay (Chair)	Glasgow City Council
George Roberts	Glasgow City Council
Tommy Morrison	Glasgow City Council
Jim McNally	Glasgow City Council
David Wilson	Inverclyde Council
John Reid	North Ayrshire Council
Robert Burrows	North Lanarkshire Council
David Fagan (Vice Chair)	North Lanarkshire Council
Mark Griffin	North Lanarkshire Council
Marie McGurk	Renfrewshire Council
Bill Grant	South Ayrshire Council
Ian Gray	South Lanarkshire Council
Denis McKenna (Vice Chair)	South Lanarkshire Council
Chris Thompson	South Lanarkshire Council
William Hendrie	West Dunbartonshire Council
John Boyle	Appointed Member
Tom Hart	Appointed Member
Alan Malcolm	Appointed Member
Ronnie Mellis	Appointed Member
Niall McGrogan	Appointed Member
Gavin Scott	Appointed Member
Bill Ure	Appointed Member

The Partnership can have between 7 and 9 Appointed Members. There are currently 7 Appointed Members.

The directors of the organisation are defined as the Chief Executive, Assistant Chief Executive (Business Support) and Assistant Chief Executive (Operations). Further information is given in note 25 in respect of changes which occurred after 31 March 2010.

Secretary

Valerie Davidson
Assistant Chief Executive (Business Support)
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Address for Correspondence

Neil Wylie
Director of Finance
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Introduction

Strathclyde Partnership for Transport (SPT) or the Partnership is the regional transport partnership (RTP) for the west of Scotland. It is one of seven RTP's covering Scotland established under the Transport (Scotland) Act 2005.

A Scottish statutory instrument, transferring the functions of Strathclyde Passenger Transport Authority (SPTA) and Executive (SPTE) to the regional transport partnership for the west of Scotland was passed by the Local Government & Transport Committee on 21 February 2006. This resulted in SPT assuming the majority of responsibilities and roles of the former SPTA and SPTE with effect from 1 April 2006.

Preparation of Financial Statements

The financial statements demonstrate SPT's stewardship of the public funds it controls and manages. The financial statements have been prepared in accordance with *the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (SORP).*

A technical bulletin, issued by Audit Scotland, in June 2007 suggests that the Transport (Scotland) Act 2005 does not permit RTP's, including SPT, to generate a surplus or deficit on the general fund and hence to add to reserves. Reserves and fund balances are a critical tool in the financial plans of any organisation to ensure it is in a position to respond to unexpected events and circumstances. SPT is therefore relying on the former powers transferred under the Act to hold and utilise reserves, but according to the technical bulletin, cannot contribute to reserves. SPT, having taken legal advice does not agree with the view suggested by Audit Scotland, given that the powers of SPTA and SPTE were transferred to SPT, but again in 2009/10 has prepared the financial statements in accordance with the position expressed. SPT continues to press the Scottish Government for the legislative change which is deemed necessary to resolve the issue as a matter of urgency.

Pages 8 to 13 sets out the accounting policies adopted by SPT in the preparation of the financial statements to ensure that the financial statements give a 'true and fair view' of SPT's financial position.

Financial Review

SPT's income and expenditure account is shown on page 14, which details the income and expenditure for the financial year ended 31 March 2010. The current economic environment has had significant impact on SPT's income level with reductions in fare income, as well as cost pressures and demands on other service costs including subsidised bus services. SPT continues to make plans for responding to the impacts of the recession.

SPT's net revenue budget was set at £47.642 million, of which £38.313 million was financed by requisition from the 12 unitary authority partners in the SPT area with the remaining £9.329 million financed by Scottish Government grant. In the year ended 31 March 2010 the actual requisition received from the 12 unitary authority partners was £38.179 million and grant funding received from the Scottish Government was £22.586 million.

The significant change in Scottish Government support reflects the acceleration during 2008/09 and 2009/10 of future revenue direct funding, and this has now been received in full. The accelerated funding, was used as agreed with the Scottish Government, to redeem debt. This is reflected in the loans fund principal repayments on page 16, and thus making an overall saving to the public purse.

Balance Sheet

SPT's balance sheet is shown on page 18 and provides details of SPT's assets and liabilities as at 31 March 2010. Explanatory notes are also provided.

Cash Flow Statement

The Cash Flow Statement and the accompanying notes on page 19 and 20 summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes during the year.

Total Movement in Reserves

The note on Movement in Reserves on page 37 shows the movement in revenue and capital reserves held by SPT as at 31 March 2010. The major movement in reserves in the year is a £23.656 million decrease in the pension reserve, which is detailed in note 22 (page 32).

Capital Expenditure

With the introduction of the prudential framework and removal of the capital expenditure constraints, SPT receives a specific grant from the Scottish Government to fund capital investment. SPT has not supplemented that grant with borrowing during the financial year.

Details of capital expenditure are shown on page 29. Total expenditure in support of the programme amounted to £27.048 million. The programme was funded by £26.073 million of Scottish Government general capital grant, Clyde Gateway grant support of £0.17 million and capital funded from revenue of £0.805 million. A funding swap arrangement of £3.689 million with other Regional Transport Partnerships was entered into in 2007/08. In 2009/10, £0.325 million was returned with £1.564 million still outstanding at 31 March 2010. This will be returned at a time agreed between the respective bodies.

Valuation of Fixed Assets

SPT inherited a number of land and property assets from SPTE. SPTE was not subject to the SORP and hence these assets were held at historic cost. In accordance with the SORP, SPT commenced a rolling programme of asset revaluation with a number of high value assets assessed and valued in the financial year 2006/07. This revaluation programme was completed in 2007/08, with all land and property assets assessed in that period. In 2009/10 investment properties were revalued in accordance with the SORP, resulting in an adjustment of £1.891 million to the Revaluation Reserve.

Pension Assets and Liabilities

The common position for employers participating in the Strathclyde Pension Fund is that the FRS17, 'Retirement Benefits' calculation (page 33) is based on a snapshot valuation as at 31 March 2010, which shows a deficit. The next full funding valuation will be carried out as at 31 March 2011 with results expected in 2011/12.

Approved on behalf of Strathclyde Partnership for Transport and signed on their behalf.

Valerie Davidson

Valerie Davidson
Assistant Chief Executive (Business Support)
29 September 2010

The Partnership's responsibilities

The Partnership is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Partnership, that officer is the Assistant Chief Executive (Business Support).

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Assistant Chief Executive's (Business Support) responsibilities

The Assistant Chief Executive (Business Support) is responsible for the preparation of the Partnership's statement of accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this statement of accounts, the Assistant Chief Executive (Business Support) has:

- selected suitable accounting policies and applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code of Practice on Local Authority Accounting in the UK, and has also;

- kept proper accounting records that were up to date; and

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

Corporate Governance is the system by which organisations direct and control their functions and relate to their communities. The fundamental principles of corporate governance are openness, inclusivity, integrity, accountability and effectiveness.

Best Practice

SPT has formally adopted a local corporate governance framework covering the work of SPT. This local framework is based upon the best practice framework developed for the public sector jointly by the Society of Local Authority Chief Executives (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA). It is built around the five interlocking dimensions of corporate governance:

- community focus;
- service delivery arrangements;
- structures and processes;
- risk management and internal control; and
- standards of conduct.

Performance during 2009/10

SPT was created on 1 April 2006. During 2009/10 the corporate governance arrangements have been reviewed and action taken to strengthen these arrangements.

The following improvements to systems of corporate governance were achieved:

- business continuity arrangements were strengthened;
- performance information was improved;
- details of expenses for directors and members published;
- an improved financial management system was implemented; and
- corporate risk arrangements were consolidated.

Based upon a review of the local framework, including best practice compliance indicators, SPT is satisfied that corporate governance arrangements, apart from the items listed below, are satisfactory and operating effectively. The Partnership's external auditors (KPMG) carried out an extensive review of the arrangements for the payment of expenses within SPT to address various complaints of potential weaknesses in internal control. Following this review SPT is working to identify any improvement actions required to ensure that best practice is being achieved in these arrangements. Areas of the local framework where development is required are:

- an annual review of corporate governance arrangements;
- the further development of business continuity plans;
- the review of the senior management structure; and
- the review of staff development and performance appraisal schemes.

Over the coming year SPT will continue to enhance corporate governance arrangements and seek to adopt the updated corporate governance framework advocated in the CIPFA / SOLACE publication - Delivering Good Governance in Local Government.

Gordon Maclennan
Chief Executive

29 September 2010

Valerie Davidson
Assistant Chief Executive
(Business Support)
29 September 2010

Accounting Policies

General Principles

The general policies adopted in compiling and presenting the financial statements are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). The accounting policies adopted are designed to ensure that the financial statements give a 'true and fair view' of the financial performance of SPT for the year.

1. Accounting convention

The financial statements have been prepared under the historical cost convention, subject to the revaluation of certain categories of fixed assets.

2. Basis of preparation

The accruals concept requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

- **Revenue income and debtors**

  All transactions relating to the period to 31 March 2010 have been matched and accounted for in the period to which they relate.

- **Revenue expenditure and creditors**

  All salaries earned in the year to 31 March 2010 are included in the financial statements irrespective of when the actual payments are made.

  Sundry creditors are accrued on the basis of payments made following 31 March 2010 relating to goods or services received in the year together with specific accruals in respect of further material items.

- **Best Value Accounting Code of Practice (BVACOP)**

  The Income and Expenditure Account has been presented in accordance with the requirements of the BVACOP. The Income and Expenditure Account presents expenditure analysed to reflect the key operations of SPT. Separate statements, within the Notes to the Financial Statements, present the mandatory divisions of service expenditure analysis (in accordance with BVACOP) together with a subjective analysis of expenditure.

- **Capital transactions**

  All capital transactions have been recorded on an accruals basis. All specific capital debtors and creditors have been accounted for.

3. Government Grants

- **Revenue grants**

  All revenue grants are matched with the expenditure to which they relate. Specific government grants are accounted for on an accruals basis where the conditions for receipt have been complied with.

- **Capital grants**

  Capital grants are the main source of funding for capital expenditure. Capital grants are treated as deferred and written out over the life of the assets involved. [Details of deferred grants and Government Grants – Deferred Account movements are shown on page 32].

4. Leases

SPT is a lessee under a range of operating lease agreements. Payments under these leases are charged to the income and expenditure account on an accruals basis.

Acting as lessor, SPT leases assets to third parties under operating lease agreements.

5. Pension Costs

SPT is recognised as an "employing authority" within the meaning of the Local Government Superannuation (Scotland) Regulations. Employee and employer contributions are forwarded to Glasgow City Council (GCC), who act as the administering authority. The contributions are determined by a qualified actuary on the basis of a triennial valuation (latest 31 March 2008) using the projected accrued benefit method. This scheme is a defined benefit scheme providing pension benefits and life assurance for all permanent staff and has been accounted for in accordance with the requirements of Financial Reporting Standard 17– Retirement Benefits (FRS17).

The expected return on the scheme's assets and the increase during the period on the present value of the scheme's liabilities arising from the passage of time are included within the net operating expenditure.

6. Stocks for repair and maintenance

Stocks are stated at the lower of cost or net realisable value.

7. Allocation of overheads

The costs of overheads and support services are charged to those that benefit from the supply or service. Overheads are recharged to the service categories detailed in the income and expenditure account (page 14).

8. Debt redemption, interest charges and debt management expenses

Glasgow City Council administers outstanding debt on behalf of SPT. Glasgow City Council initially bears all interest and expense charges through their Loans Fund and charges SPT a proportionate share in respect of debt outstanding at the end of each financial year.

Repayment of debt is based on the annuity method of repayment. Repayment periods range from 1 to 5 years depending on the nature of the capital expenditure. All loan charges are charged to the income and expenditure account.

9. Investments

Surplus cash balances are invested with major financial institutions as part of SPT's treasury management function. In compliance with the 'CIPFA Prudential Code for Capital Finance in Local Authorities (2007)', SPT has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in Public Services Code. All interest received is shown on the face of the income and expenditure account.

10. Provisions

The value of provisions is based on SPT's obligations arising from past events, the probability that a transfer of economic benefit will take place and being able to obtain a reasonable estimate of the obligation.

11. VAT

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

12. Capital Reserves

Capital reserve accounts are a requirement of the capital accounting arrangements.

- The Capital Adjustment Account holds amounts set aside to fund capital expenditure and absorbs timing differences that may arise as a result of the setting aside of resources being out of line with accounting charges for depreciation and impairment losses.

- The Useable Capital Receipts Reserve is initially credited with disposal proceeds and capital grant repayments which are then applied to finance capital expenditure or repay debt.

- The Revaluation Reserve records the accumulated unrecognised gains on the revaluation of fixed assets.
  (Details of the movement in these reserves can be found on page 37).

13. Bank balances

Bank balances are included in the balance sheet at the closing balance in the SPT ledger.

14. Intangible fixed assets

Expenditure on assets that do not have physical substance, but are identifiable and controlled by SPT are capitalised when they bring benefits to SPT for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the asset to reflect the pattern of consumption of benefits.

Software licences have been allocated to intangible assets in compliance with the SORP. Expenditure on software licences is amortised over the estimated useful life (3 years).

15. Tangible fixed assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. Expenditure on the acquisition of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to SPT and the service that it provides is for more than one financial year.

Land and Buildings are revalued using the Depreciated Replacement Cost (DRC) or the Existing Use Value (EUV) method, which is in line with the guidance contained within the SORP.

Plant and Machinery relates to plant, machinery and tools. These assets are held at historic cost and depreciated over their useful life.

Rolling Stock and Vehicles relates to subway rolling stock and buses. These assets are held at historic cost and depreciated over their useful life.

Infrastructure assets relates to subway infrastructure and includes tunnels, track, signals and telecommunications. These assets are held at historic cost and depreciated over their useful life.

Sundry assets relates to computer equipment, furniture and fittings. These assets are held at historic cost and depreciated over their useful life.

Third party rolling stock is rolling stock currently used by First ScotRail in the operation of rail services in the SPT area. SPT has the power to direct the rolling stock to the benefit of the travelling public within the SPT area. The assets are held at historic cost and depreciated over their useful life.

Third party public transport assets are purchased or built by other organisations to operate within the SPT area. SPT grant funds these assets and capitalises them when grants are made. As the assets are held and operated by the other party they are disposed of by SPT in the same year.

Assets under construction are not depreciated, as depreciation is only appropriate when assets are complete and fit for purpose. The category captures ongoing costs for various projects. Once complete and fit for purpose, assets under construction are transferred to the appropriate category of operational assets.

Investment properties relate to retail outlets contained within assets owned by SPT. The assets are valued annually at Market Value (MV) in line with the guidance contained within the SORP.

Land (non-operational) relates to land owned by SPT, but not used for operational purposes. The land is valued at Market Value (MV) in line with the guidance contained within the SORP.

Depreciation is provided for on all fixed assets with a finite useful life, which is determined at the time of acquisition or revaluation according to the following policy:

Category	Valuer	Current Basis of Valuation	Date of Last Valuation	Useful Life
Land & Buildings	External Valuer	Lower of net current replacement cost or net realisable value in existing use	31/03/2008	Land - Not Applicable Buildings - 40 years
Plant & Machinery	Not applicable	Cost	N/a	1-25 years
Rolling Stock and Vehicles	Not applicable	Cost	N/a	1-25 years
Infrastructure	Not applicable	Cost	N/a	10–40 years
Sundry Assets	Not applicable	Cost	N/a	1–40 years
Third Party Rolling Stock	Not applicable	Cost	N/a	20 years
Third Party Public Transport Assets	Not Applicable	Cost	N/a	Fully depreciated in year of acquisition.
Non – Operational Assets				
Assets Under Construction	Not applicable	Cost	N/a	N/a
Investment Properties	Director of Property & Assets	Market Value	31/03/2010	N/a
Land (non-operational)	Director of Property & Assets	Market Value	31/03/2010	N/a

Management have considered the operational land and buildings revalued in 2008. They are not aware of any material change in value and accordingly these valuations have not been updated.

Salaries are capitalised where the cost is identifiable and directly attributable to the creation of an asset and these are written off in the current year.

Revaluations of all fixed assets are carried out in full on a five yearly cycle. The next valuation will be during 2010-11. In addition, material changes to asset valuations are adjusted in the interim years as they occur.

16. Related party transactions

Related party transactions are identified, considered and disclosed in line with the requirements of Financial Reporting Standard 8 - Related Party Transactions (FRS 8).

17. Financial instruments

Financial liabilities (borrowing) are classified into two main types:

- Amortised cost: financial liabilities that are carried at amortised cost using the effective rate of interest. The majority of local authority financial liabilities will be in this area.
- Fair Value through profit and loss: financial liabilities that are "held for trading" or are derivatives. These are rarely held by local authorities.

In 2009/10, SPT dealt only with financial liabilities at amortised cost.

Financial liabilities (borrowing) are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that SPT has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus any accrued interest due for the period, and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement. Accrued interest is included as a current liability.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from, or added to the amortised cost of the new or modified loan and write down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Financial assets (investments) are classified into three main types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.
- Fair Value through profit and loss – assets that an entity determines are "held for trading" and for derivatives with a positive value. These are rarely held by local authorities.

During 2009/10, SPT held financial assets in the category of 'loans and receivables' only. These are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. All financial assets held by SPT in 2009/10 are current assets.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account. Impairment in respect of debtors is included as a bad debt provision in the Balance Sheet.

Gains or losses arising on de-recognition of assets are credited or debited to the Income and Expenditure Account as appropriate.

Income and Expenditure Account
for the year ended 31 March 2010

2008/09 Net Expenditure / (income) £000		2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure / (income) £000
6,235	Subway operations	25,202	(25,811)	(609)
17,667	Bus operations	20,081	(2,829)	17,252
687	Ferry operations	836	(155)	681
1,367	Policy, strategy and projects	1,581	0	1,581
17,048	Corporate & democratic core	6,991	(1,928)	5,063
(4,404)	Non distributed costs	15,257	(14,410)	847
38,600	**Net Cost of Service**	**69,948**	**(45,133)**	**24,815**
4,270	Interest payable and similar charges			1,620
(1,426)	Interest and investment income			(400)
(747)	Pensions interest cost and expected return on pension assets			1,401
40,697	**Net Operating Expenditure**			**27,436**
(37,306)	Funding received from constituent councils			(38,179)
(33,070)	Funding from Scottish Government			(22,586)
(29,679)	**(Surplus) for the Year**			**(33,329)**

The above results arose wholly from continuing operations. The subjective category view of the Income and Expenditure Account is included at Note 9 in the Notes to the Financial Statements

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Partnership's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However SPT's funding authorities are required to raise council tax on a different accounting basis, the main difference being:

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed; and

- retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as a future benefit earned.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the Movement in the General Fund Balance.

2008/09 £000		2009/10 £000
(29,679)	(Surplus) for the year on the income and expenditure account	(33,329)
30,760	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the general fund balance for the year	33,329
1,081	Decrease / (increase) in general fund balance for the year	0
(13,607)	General fund balance brought forward	(12,526)
(12,526)	General fund balance carried forward	(12,526)

Note of Reconciling Movements for the Statement of Movement on the General Fund Balance

2008/09 £000		2009/10 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on General Fund Balance for the year	
(11,523)	Write off of 3rd party assets	(12,556)
(1,550)	Write off of 3rd party rolling stock	(1,549)
(335)	Write off of intangible fixed assets	(716)
(9,724)	Depreciation and impairment of fixed assets	(6,914)
13,564	Government grants deferred amortisation	25,214
816	Net (credit) / charge made for retirement benefits in accordance with FRS 17	(345)
(8,752)		**3,134**
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on General Fund Balance for the year	
39,512	Loans fund principal repayments	29,390
0	Capital financed from current revenue	805
39,512		**30,195**
	Transfers to/from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
0	Movement in capital account	0
0	Transfer to earmarked reserves	0
0		**0**
30,760	**Net additional amount required to be debited to the General Fund balance for the year**	**33,329**

Statement of Total Gains and (Losses)
for the year ended 31 March 2010

2008/09 £000		2009/10 £000
29,679	Surplus on the income and expenditure account for the year	33,329
(22,249)	Actuarial (losses) on pension fund assets and liabilities	(23,310)
(520)	Unrealised (losses) / gains on asset revaluation	1,891
9	Other gains required to be included in the Statement of Total Recognised Gains and Losses	460
6,919	**Total recognised gains relating to the year**	**12,370**

Balance Sheet as at 31 March 2010

2008/09 £000		Note	2009/10 £000
1,777	**Intangible Fixed Assets**	11	503
	Tangible Fixed Assets	11	
	Operational Assets		
116,424	Land and Buildings		115,757
17,652	Infrastructure		18,573
7,267	Rolling Stock		11,618
22,693	Third Party Rolling Stock		21,144
3,301	Other		6,966
167,337			174,058
	Non-Operational Assets		
3,374	Assets Under Construction		2,918
8,403	Investment Properties		10,366
3,030	Surplus Land		3,280
14,807			16,564
183,921			191,125
	Current Assets		
541	Stocks	16	523
22,152	Debtors	17	11,851
10,568	Short term investments		13,000
36,269	Bank & Cash in hand		31,811
69,530			57,185
	Current Liabilities		
(29,000)	Borrowing repayable within 12 months	18	(1,175)
(56,432)	Creditors	19	(43,201)
(85,432)			(44,376)
(15,902)	Net Current (Liabilities) / Assets		12,809
168,019	**Total Assets Less Current Liabilities**		203,934
(6,263)	**Borrowing Repayable After 12 Months**	18	(4,697)
(14,622)	**Net Pension (Liability)**	22	(38,278)
	Deferred Grants		
(41,203)	Subway	20	(39,065)
(23,482)	Other	20	(28,958)
(3,374)	Assets under Construction	20	(2,918)
(9,998)	Government Grants – Deferred Account	21	(8,580)
(190)	**Provisions for Liabilities and Charges**	23	(181)
68,887	**Total Assets Less Liabilities**		**81,257**
	Represented by:		
12,526	General Fund	26	12,526
(14,622)	Pension Reserve	22, 26	(38,278)
(15,192)	Capital Adjustments Account	26	18,482
84,206	Revaluation Reserve	26	86,097
1,969	Usable Capital Receipts Reserve	26	2,430
68,887			**81,257**

The unaudited financial statements were issued on 25 June 2010 and the audited financial statements were authorised for issue on 29 September 2010.

2008/09 £000		2009/10 £000	2009/10 £000
	Revenue Activities		
(29,679)	(Surplus) on Income and Expenditure Account	(33,329)	
(9,724)	Depreciation and impairment of fixed assets	(8,463)	
(335)	Amortisation of intangible fixed assets	(716)	
13,564	Amortisation of deferred government grants	25,214	
816	Charges / (Credit) for retirements benefits	(345)	
1,426	Interest receivable	400	
(4,270)	Interest payable	(1,620)	
355	Decrease in provisions for liabilities and charges	9	
(13,073)	(losses) on disposal of fixed assets	(12,556)	
	Accruals adjustments:		
(49)	Decrease in stocks	(18)	
1,430	Increase/(decrease) in debtors	(10,301)	
(5,339)	(Increase) in creditors	(3,114)	
(44,878)	Net cash inflow from revenue activities		(44,839)
	Returns on Investment and Servicing of Finance		
	Cash outflows		
4,270	Interest paid	1,620	
	Cash inflows		
(1,426)	Interest received	(400)	
2,844	Net cash outflow from returns on investment and servicing of finance		1,220
0	Taxation		0
	Capital Activities		
	Cash outflows		
27,862	Purchase of fixed assets	23,818	
	Cash Inflows		
(24,218)	Capital grants received	(26,678)	
(10)	Other capital receipts	(461)	
3,634	Net cash outflow / (inflow) from capital activities		(3,321)
(38,400)	**Net cash (inflow) from before financing**		(46,940)
	Management of liquid resources (Note A)		
(13,008)	Net (decrease) / increase in short term deposits	2,432	
(13,008)	Net cash (inflow) / outflow from management of liquid resources		2,432
	Financing		
	Cash outflows		
26,215	Repayment of amounts borrowed	48,966	
26,215	Net cash outflow from financing		48,966
(25,193)	**(Increase) / Decrease in cash**		**4,458**
11,076	Total Cash (Opening)		36,269
36,269	Total Cash (Closing)		31,811
(25,193)	(Increase) / Decrease in cash		**4,458**

Note A
Analysis of movement in liquid resources

	At 1 April 2009 £000	At 31 March 2010 £000	Cash Flows £000
Short term investments	10,568	13,000	2,432

Short term investments are short term deposits that are readily convertible to cash.

1. Operating lease commitments

As at 31 March 2010, SPT was committed to making the following payments during future years in respect of operating leases:

2008/09 £000		2009/10 £000
	Leases which expire:	
23	Within one year	84
14	Within two to five years	56
0	After five years	0
37		140

SPT has granted leases to a range of bus operators for up to 5 years. The arrangements are accounted for as operating leases, SPT leases these assets for £nil consideration.

2. Expenditure on publicity

Under section 5 of the Local Government Act 1986, SPT is required to publish a separate account in relation to expenditure on publicity and advertising. During 2009/10, SPT incurred the following expenditure on publicity.

2008/09 £000		2009/10 £000
62	Recruitment Advertising	10
88	Other Advertising	30
845	Other publicity	554
995	**Total**	594

3. Members' allowances

The total amount paid in respect of Members' Allowances and Expenses for 2009/10 was:

2008/09 £000		2009/10 £000
41	Members' Allowances	42
35	Expenses	12
76		54

4. Audit costs

The 2009/10 fee in respect of external audit services undertaken in accordance with the Code of Audit Practice was approximately £105,200, which included £35,000 in respect of a report in response to a number of formal complaints received by Audit Scotland. The fee is payable to Audit Scotland and to KPMG LLP, SPT's appointed auditors.

5. Agency activities

In addition to its statutory duties, SPT acted as agents in respect of the following services:

Total Costs 2008/09 £000		Administration Recharge £000	Direct Service Payments £000	Total Costs 2009/10 £000
31,287	School and Vocational Transport	1,371	27,448	28,819
773	Bus Shelter Maintenance	244	568	812
5,509	Strathclyde Concessionary Travel Scheme	412	4,692	5,104
	Year to 31 March 2010	2,027	32,708	34,735
37,569	**Year to 31 March 2009**	1,885	35,684	37,569

The above agency activities are carried out on a no loss, no profit basis for third parties and therefore do not appear on the SPT's income and expenditure account.

6. Information regarding directors and employees

2008/09 Number		2009/10 Number
727	Average numbers of persons employed, including Directors	723
£000	**Staff costs during the year, including Directors, amounted to:**	**£000**
19,680	Wages and Salaries	21,062
1,469	National Insurance Contributions	1,526
2,997	Other pension costs	3,073
24,146		25,661

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 were 30 (2008/09:24) as follows:

Number	Employees' remuneration	Number
12	Salary Band 50,000-59,999	16
1	Salary Band 60,000-69,999	4
6	Salary Band 70,000-79,999	1
2	Salary Band 80,000-89,999	6
0	Salary Band 90,000-99,999	0
1	Salary Band 100,000-109,999	1
1	Salary Band 110,000-119,999	1
1	Salary Band 120,000-129,999	0
0	Salary Band 130,000- 139,999	1
24		30

£000	Directors' remuneration	£000
412	Emoluments	351
60	Pension Contributions	61
472		412

£000		£000
22	Pension contribution for highest paid Director	23
129	Remuneration for highest paid Director's	133

7. Related party transactions

FRS 8 requires disclosures to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them. During the year, transactions with related parties were as follows:

Related Party	2009/10 Income £000	2009/10 Expenditure £000	Transaction
Scottish Government	22,586		Direct Funding Grant
Strathclyde Pension Fund		3,072	Employers Contribution
Unitary Authorities	38,313		Public Transport Funding
		29,361	School Transport Bus Shelters and Stops Maintenance Advertising Shelter Maintenance
Strathclyde Concessionary Travel Scheme	390	7	Administration Costs & Overheads
Clyde Gateway	170		Grant Funding

Scottish Government

The Scottish Government has effective control over the general operation of all the public sector organisations providing the statutory framework within which SPT operates and also providing the majority of funding in the form of grants via the unitary authorities and through specific and direct support.

Unitary Authorities

SPT provides agency services to specific unitary authorities in respect of the services noted.

8. Best value accounting

The Chartered Institute of Public Finance and Accountancy (CIPFA) introduced Best Value Reporting, which SPT is required to adopt, on 1 April 2001. The BVACOP introduced a new system of accounting for overheads, the purpose of which is to improve transparency, accountability and commonality, thus enabling comparison of the financial statements of local authorities.

The table below shows the Service Expenditure Analysis applicable to SPT in the format prescribed by the Best Value Code of Practice.

Best Value Accounting Code of Practice (BVACOP)
Service Expenditure Analysis Statement for the year ended 31 March 2010

Year to 31 March 2009 £000		Year to 31 March 2010 £000
25,956	**Highways, Roads & Transport Services**	**18,905**
1,367	Transport Planning, Policy & Strategy	1,581
24,589	Public Transport	17,324
12,644	**Central Services**	**5,910**
17,047	Corporate & Democratic Core	5,063
(4,403)	Non Distributed (income) / costs	847
38,600	**Net Cost of Services**	**24,815**
4,270	Interest Payable and similar charges	1,620
(1,426)	Interest and investment income	(400)
(747)	Pensions interest cost and expected return on pension assets	1,401
40,697	**Net Operating Expenditure**	**27,436**
(37,306)	Funding received from constituent councils	(38,179)
(33,070)	Funding from Scottish Government	(22,586)
(29,679)	**(Surplus)/Deficit for the Year**	**(33,329)**

9. Subjective Analysis of Income and Expenditure Account for the year ended 31 March 2010

2008/09 £000		2009/10 £000
	Expenditure	
25,113	Employee costs	25,648
5,458	Premises costs	5,619
4,826	Supplies and services	1,413
146	Transport and plant	243
13,906	Third party payments	14,856
29,769	Financing costs (including impairments)	23,354
(747)	Pension interest (income) / cost and expected return on pension assets	1,401
78,471	**Net Cost of Service**	**72,534**
	Income	
(33,070)	Government grants	(22,586)
(55,721)	Other grants, reimbursements & contributions	(64,788)
(17,933)	Customer and client receipts	(18,089)
(1,426)	Interest	(400)
(108,150)		**(105,863)**
(29,679)	**(Surplus) for the Year**	**(33,329)**

10. Valuation of Fixed Assets

To comply with the SORP, SPT completed a revaluation exercise on all land and buildings owned by SPT. The land and buildings were revalued at 31 March 2008 by external valuers:

(a) District Valuer – Land and Buildings relating to the Subway

(b) James Barr – Other Land and Buildings

The valuation process was undertaken in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Inspections were carried out at the end of the financial year. At the time of this valuation, the District Valuer Services supplied the following statement:

"The valuations incorporated in these financial statements have been provided by District Valuer Services of the Valuation Office Agency in the capacity of External Valuer. The date of valuation is 31 March 2008 and in accordance with the requirements of the RICS Valuation Standards the valuation of each property was on the following bases and assumptions:

(a) For owner occupied property: valued to Existing Use Value (EUV) assuming that the property would be sold as part of the continuing business

(b) For investment property: valued to Market Value assuming that the property would be subject to any existing leases.

(c) For surplus property and property held for development: valued to Market Value (MV) assuming that the property would be sold with vacant possession in its existing condition

District Valuer Services' opinion of EUV and MV was primarily derived using:

(a) comparable recent market transactions on arm's length terms

(b) the depreciated replacement cost approach because the specialised nature of the asset means that there are no market transactions of this type of asset except as part of the business or entity.

The sources of information and assumptions made in producing the various valuations are set out in the Valuation Report which is not published in the annual report and financial statements.

The valuation figures incorporated in the annual report and financial statements are the aggregate of separate valuations of parts of the portfolio, not a valuation or apportioned valuation of the portfolio valued as a whole."

1. As required by the SORP, an annual valuation of non-operational investment and land properties was conducted. This was undertaken by John D Wilson BSc MRICS, Director of Property & Asset Management as at 31 March 2010.
2. Management have considered the valuations performed in 2008. As they are not aware of any material change in value, these valuations have not been updated.
3. The approach taken is in line with the assumptions made above. Further detail is available in the specific valuation report.

11. Movement in Intangible and Tangible Fixed Assets

		Operational Assets							Non Operational Assets			
	Intangible Assets	Land and Buildings	Plant & Machinery	Rolling Stock & Vehicles	Infra-structure	Sundry Assets	3rd Party Rolling Stock	3rd Party Assets	Under Construct-ion	Investment Properties	Land	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost												
At 1 April 2009	2,238	118,684	1,517	25,339	41,779	13,315	27,343	0	3,374	8,403	3,030	245,022
Additions	377	1,883	1,232	4,346	2,731	1,263	0	12,556	2,660	0	0	27,048
Impairments	0	0	0	0	0	0	0	0	0	0	0	0
Transfers	(1,595)	(265)	0	1,595	0	3,048	0	0	(3,116)	333	0	0
Disposals	0	0	0	0	0	0	0	(12,556)	0	0	0	(12,556)
Revaluations	0	0	0	0	0	0	0	0	0	1,641	250	1,891
At 31 March 2010	1,020	120,302	2,749	31,280	44,510	17,626	27,343	0	2,918	10,377	3,280	261,405
Depreciation												
At 1 April 2009	461	2,260	963	18,072	24,127	10,568	4,650	0	0	0	0	61,101
Charge for year	716	2,296	317	930	1,810	1,561	1,549	0	0	0	0	9,179
Impairments	0	0	0	0	0	0	0	0	0	0	0	0
Transfers	(660)	(11)	0	660	0	0	0	0	0	11	0	0
Disposals	0	0	0	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0	0	0	0
At 31 March 2010	517	4,545	1,280	19,662	25,937	12,129	6,199	0	0	11	0.00	70,280
Net Book Value												
At 31 March 2010	503	115,757	1,469	11,618	18,573	5,497	21,144	0	2,918	10,366	3,280	191,125
At 31 March 2009	1,777	116,424	554	7,267	17,652	2,747	22,693	0	3,374	8,403	3,030	183,921

Revaluations noted above were undertaken on all existing investment properties and surplus land.

12. Summary of Capital Expenditure

2008/09 £000	Capital Project Classifications	2009/10 £000
7,583	Subway Operations	4,733
1,878	Bus Operations	7,607
17,457	Policy, Strategy & Projects	13,411
944	Corporate	1,297
27,862		27,048

	Major Capital Projects	
274	Subway : Plant & Equipment	1,344
1,917	Subway : Rolling Stock	388
2,780	Subway : Signals & Telecoms	549
1,544	Subway : Stations & Property	1,610
1,068	Subway : Tunnel & track	842
885	Bus: Passenger Information & Bus Infrastructure	1,978
993	Bus: Vehicles, Stations & Travel Centres	5,629
3,028	Policy & Strategy & Major Projects	3,653
6,139	Local Authority Projects Park & Ride	9107
146	Rail : Minor works / Station regeneration	456
8,144	Rail : New Station or Major refurbishment	195
0	Rail : CCTV	0
658	Corporate Systems Improvements	931
286	Technology Solutions	366
27,862		27,048

13. Capital Funding

2008/09 £000		2009/10 £000
26,918	Scottish Government– S70 General Grant	26,073
944	Transport Scotland	0
0	Clyde Gateway Funding	170
0	Capital funded from revenue	805
27,862	**Total**	**27,048**

14. Capital Receipts

Capital receipts for the year amounted to £0.461 million and this amount has been transferred in full to the Usable Capital Receipts Reserve. Cumulative receipts principally relate to the financial closedown of completed rail capital projects which SPT has previously grant funded rail industry partners to deliver.

15. Commitments under capital contracts

At 31 March 2010, commitments under contracts for capital expenditure amounted to £3.051 million.

Service	Outstanding Commitment as at 31 March 2010 £000	Contract Completion
Major Projects	593	Various
Bus Operations	384	Various
Corporate	19	Various
Subway Operations	2,055	Various
Total	**3,051**	

16. Stocks

2008/09 £000		2009/10 £000
503	Consumables and repair and maintenance stocks	517
38	Miscellaneous	6
541	**Total**	523

17. Debtors

2008/09 £000		2009/10 £000
3,955	Trade debtors	1,698
7,528	Grant claims	6,711
1,868	Other debtors	1,359
407	Amounts due from Strathclyde Concessionary Travel Scheme	995
8,394	Prepayments and accrued income	1,088
22,152	**Total**	11,851

18. Loans

2008/09 £000		2009/10 £000
	Loans repayable:	
29,000	Within one year or on demand	1,175
1,255	Between one and two years	2,350
3,765	Between two and five years	2,347
1,243	Between five and ten years	0
0	After ten years	0
6,263		4,697
35,263	**Total**	5,872

The repayment of loans is calculated on an annuity basis reflecting the useful life of the assets. The loans are repayable by instalments between 1 and 5 years and the average rate of interest is 4.6%. An interest payment totalling £0.272 million is forecast for 2010/11.

19. Creditors – amounts due within one year

2008/09 £000		2009/10 £000
11,083	Trade creditors	10,334
45,342	Other creditors and accruals	32,861
7	Taxation and social security	6
56,432	**Total**	43,201

Other creditors and accruals includes the balance of loan repayments of £16.110 million (2008/09 : £35.585 million) due in respect of 2009/10 but not paid over to Glasgow City Council as at 31 March 2010.

20. Deferred grants

	Balance 1 April 2009 £000	Amounts received 2009/10 £000	Amounts released 2009/10 £000	Transfer/ Other 2009/10 £000	Balance 31 March 2010 £000
Deferred Grant					
Subway	41,203	4,188	(9,100)	2,774	39,065
Other	23,482	7,521	(2,139)	94	28,958
Assets Under Construction	3,374	2,412	0	(2,868)	2,918
	68,059	14,121	(11,239)	0	70,941

21. Government Grants – Deferred Account

	£000	£000
Balance as at 1 April 2009		9,998
Amounts received in 2009/10		
Amounts Received in 2009/10 Capital Grant	26,678	
Transfer to Tangible Fixed Asset Deferred Grant Account	(11,709)	
Transfer to Assets under Construction Deferred Grant Account	(2,412)	
3rd Party Assets Disposals	(12,556)	
3rd Party Rolling Stock written off to Revenue	(703)	
Intangible Assets written off to Revenue	(716)	
		(1,418)
Balance as at 31 March 2010		**8,580**

22. Pensions

Disclosure of information relating to Pensions is in accordance with the requirements of FRS 17 'Retirement Benefits'. The information requirements under FRS 17 specific to SPT are detailed in this note below.

SPT participates in the Local Government Pension Scheme, which is administered by Strathclyde Pension Fund and which is a defined benefit pension scheme. The assets of the scheme are held separately from those of the entity in investments under the overall supervision of the Fund Trustees. The fund includes a funded and an unfunded portion. The unfunded element is in respect of additional pensions paid on retirement under the Discretionary Payment Regulations ("compensatory added years' pensions"). The liabilities in respect of the unfunded element are disclosed below in accordance with FRS 17.

22. Pensions (continued)

The last full valuation of the fund was carried out by an independent actuary on 31 March 2008. However, FRS 17 requires that complying entities are required to take a valuation based on the bid value as at 31 March 2010 and consider the long term liabilities which may occur. The FRS 17 valuation is an annual valuation and is not the same as the actuarial valuation undertaken every three years for the purposes of deciding the employer's contribution. The valuations were made using the projected unit method.

There were no prepaid contributions or contributions payable at the current or preceding year end.

The assets in this Scheme and the expected rates of return at 31 March 2010 are set out below. Using the recommended FRS17 valuation, the net pension liability as at 31 March 2010 is £38.278 million.

The information disclosed below is in respect of the whole of the plans for which the company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	31 March 2010 £000	31 March 2009 £000	31 March 2008 £000	31 March 2007 £000	31 March 2006 £000
Fair Value of Plan Assets	146,205	107,793	138,843	145,104	140,289
Present Value of Funded Defined Benefit Obligations	(176,501)	(115,422)	(124,506)	(140,627)	(146,995)
Present Value of Unfunded Defined Benefit Obligations	(7,982)	(6,993)	(7,526)	(8,321)	(8,477)
Net Asset / (Liability)	**(38,278)**	**(14,622)**	**6,811**	**(3,844)**	**(15,183)**

Movements in present value of defined benefit obligation

	Year Ended 31 March 2010 £000	Year Ended 31 March 2009 £000
Opening Defined Benefit Obligation	**122,415**	**132,032**
Current Service Cost	2,259	2,566
Past Service Cost	674	1,211
Interest Cost	8,349	9,002
Losses on curtailments	528	62
Actuarial losses / (gains)	56,592	(15,628)
Contributions by members	1,213	1,026
Estimated benefits paid	(6,892)	(7,168)
Estimated unfunded benefits paid	(655)	(688)
Closing Defined Benefit Obligation	**184,483**	**122,415**

22. Pensions (continued)

Movements in fair value of plan assets

	31 March 2010 £000	31 March 2009 £000
Opening Fair Value of Employer Assets	**107,793**	**138,843**
Expected return on plan assets	6,948	9,749
Actuarial gains / (losses)	33,282	(37,877)
Contributions by employer	3,861	3,220
Contributions for unfunded benefits	655	688
Contributions by members	1,213	1,026
Estimated Unfunded Benefits paid	(655)	(688)
Estimated Funded Benefits paid	(6,892)	(7,168)
Closing Fair Value of Employer Assets	**146,205**	**107,793**

Expense recognised in the Income and Expenditure Account

	31 March 2010 £000	31 March 2009 £000
Current Service Cost	**2,259**	**2,566**
Losses on curtailments	528	62
Past Service cost	674	1,211
Interest on defined benefit pension plan obligation	8,349	9,002
Expected return on defined benefit pension plan assets	(6,948)	(9,749)
Total	**4,862**	**3,092**

The expense is recognised in the Employee Costs line in the Income and Expenditure account, with the net effect of interest payments and return on assets identified separately. The total amount recognised in the Statement of Total Recognised Gains and Losses in respect of actuarial gains and (losses) is £23,310,000, (2008/09 : loss of £22,249,000).

The fair value of the plan assets and the return on those assets were as follows:

	Fair Value of Assets at 31 March 2010 £000	Fair Value of Assets at 31 March 2009 £000
Equities	112,578	78,689
Corporate Bonds	19,007	17,247
Property	10,234	8,623
Cash	4,386	3,234
Total	**146,205**	**107,793**
Actual Return on plan assets	**40,251**	**(28,530)**

Principal actuarial assumptions at the year end were as follows:

	31 March 2010 %age	31 March 2009 %age
Rate of inflation	3.8%	3.1%
Future salary increases	5.3%	4.6%
Pension increases	3.8%	3.1%
Discount Rate	5.5%	6.9%
Expected return on assets	7.2%	6.5%

22. Pensions (continued)

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity.

The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65:	20.6 years (male);	23.9 years (female)
Future retiree upon reaching 65:	22.6 years (male);	25.0 years (female)

History of plans
The history of the plans for the current and prior periods is as follows:

Balance Sheet

	31 March 2010 £000	31 March 2009 £000	31 March 2008 £000	31 March 2007 £000	31 March 2006 £000
Present value of scheme liabilities	(184,483)	(122,415)	(132,032)	(148,948)	(155,472)
Fair value of scheme assets	146,205	107,793	138,843	145,104	140,289
Surplus / (Deficit)	**(38,278)**	**(14,622)**	**6,811**	**(3,844)**	**(15,183)**

Experience Adjustments

	31 March 2010 £000 / %age	31 March 2009 £000 / %age	31 March 2008 £000 / %age	31 March 2007 £000 / %age	31 March 2006 £000 / %age
Experience gains / (losses) on scheme liabilities / [as %age of scheme liabilities]	(486) / (0.3%)	9,376 / 7.7%	447 / 0.3%	769 / 0.5%	6,953 / 4.5%
Experience gains / (losses) on scheme assets / [as %age of scheme assets]	33,282 / 22.8%	(37,877) / (35.1%)	(14,618) / (10.5%)	114 / 0.1%	22,480 / 16.0%

SPT expects to contribute approximately £3.085m to its defined benefit pension plans in the next financial year.

Subsequent to the year end, but prior to the approval of these financial statements, the UK government announced the intention to link future pension increases to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). There are differences between the construction of these indices and historically CPI has been lower than RPI. It is not possible at this time to quantify the impact of the move from RPI to CPI on the net pension liabilities in future periods.

23. Provision for liabilities and charges

Due to the nature of its operations, the Partnership receives a number of claims from third parties from time to time. Provision is made on an individual basis having regard to the specific facts of the case and the insurance carried by the Partnership. Movements on the provision during the year are given below:

	Subway £000	Executive £000	Travel Centre and Bus Stations £000	Bus Residual Costs £000	Total £000
Balance as at 1 April 2009	58	119	13	0	190
Movements during the year					
Additional Provisions	42	14	28	17	101
Amounts used during year	(47)	(20)	0	0	(67)
Unused amounts reversed during year	(9)	(31)	(3)	0	(43)
Balance as at 31 March 2010	**44**	**82**	**38**	**17**	**181**

Payments made during the year in respect of claims provided for at the start of the year and arising during the year, provisions no longer required and additional provisions made in respect of existing and new claims are reflected in the charge within the appropriate activity line of the income and expenditure account.

24. Contingent Liabilities

Issues may arise in the day to day business of the Partnership which could result in increased liabilities. However, these are always rigorously defended and at the 31 March 2010, SPT had no material contingent liabilities.

25. Post Balance Sheet Events

Organisational Change

On 9 April 2010, Chief Executive Ron Culley retired on ill-health grounds. Gordon Maclennan was appointed Interim Chief Executive for a period of one year on 16 April 2010. Subsequently, a proposal to restructure the senior management of the organisation was presented to the Personnel Committee on 14 May 2010, and agreed. The restructuring will take place in 2010/11.

26. Movement in Reserves

Strathclyde Partnership for Transport keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons and others are needed to comply with proper accounting practice.

Reserve	Balance 1 April 2009 £000	Net Movement in Year £000	Balance 31 March 2010 £000	Purpose of Reserve	Further Detail of Movements
Capital Adjustments Account	(15,192)	33,674	18,482	Holds amounts set aside to fund capital expenditure and absorbs timing differences that may arise as a result of the setting aside of resources being out of line with accounting charges for depreciation and impairment losses.	See note (a) below
Usable Capital Receipts	1,969	461	2,430	Disposal proceeds which are then applied to finance future capital expenditure or to repay debt.	See note (b) below
Pensions Reserve	(14,622)	(23,656)	(38,278)	Balancing account to allow inclusion of Pension Asset on the Balance Sheet	See note 22 to the Financial Statements
General Fund	12,526	0	12,526	Resources available to meet future revenue costs for SPT services	Statement of Movement in General Fund Balance, page 15
Revaluation Reserve	84,206	1,891	86,097	Records the accumulated gains on the revaluation of fixed assets.	See note (c) below
	68,887	**12,370**	**81,257**		

26. Movement in Reserves (continued)

Note (a): Capital Adjustments Account

	£000	£000
Balance as at 1 April 2009		(15,192)
Appropriations:		
Loans Fund Principal Repayments	29,390	
Amortisation of 3rd Party Assets	(12,556)	
Amortisation of 3rd Party Rolling Stock	(1,549)	
Amortisation of Intangible Assets	(716)	
Depreciation and Impairment on Fixed Assets	(6,914)	
Government Grants Deferred Amortisation	25,214	
Capital Financed from Revenue	805	
		33,674
Balance as at 31 March 2010		**18,482**

Note (b): Capital Receipts Reserve

	£000
Balance as at 1 April 2009	1,969
Amounts received in 2009/10	461
Balance as at 31 March 2010	**2,430**

Note (c): Revaluation Reserve

	£000
Balance as at 1 April 2009	84,206
Amounts received in 2009/10	1,891
Balance as at 31 March 2010	**86,097**

27. Financial Instruments

Glasgow City Council (GCC) administers outstanding debt on behalf of SPT. GCC initially bears all interest and expense charges through their Loans Fund and charges SPT a proportionate share in respect of debt outstanding at the end of each financial year.

The following information is presented, as accurately as can be estimated, SPT's relevant disclosure requirements with regard to the proportion of SPT's debt in relation to available information on GCC's overall debt position.

The borrowings in the Balance Sheet comprise the following categories of financial instruments:

Balances on Financial Instruments

Long Term	Current		Long Term	Current
31 March 2009 £000	31 March 2009 £000	Category of Financial Instrument	31 March 2010 £000	31 March 2010 £000
6,263	29,000	Financial Liabilities at amortised cost	4,697	1,175
6,263	**29,000**	**Total Borrowing**	**4,697**	**1,175**

Figures based on SPT proportion of GCC debt

Financial Instruments Gains / Losses / Expenses charged during 2009/10 (at amortised cost)

The expense / loss incurred by SPT in 2009/10 was an interest expense of £1.620 million. During the same period, interest receivable amounted to £0.4 million (net expense position of £1.220 million).

Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For all Public Works Loan Board debt, the repurchase rate has been used as the discount rate;
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender;
- Interpolation techniques have been used between available rates where the exact maturity date was not available;
- No early repayment or impairment is recognised;
- The fair values of all instruments have been calculated but only those which are materially different from the carrying value are disclosed; and
- Fair values of instruments with a life less than one year are carried at cost.

Carrying Amount	Fair Value	Category	Carrying Amount	Fair Value
£000	£000		£000	£000
31 March 2009	31 March 2009		31 March 2010	31 March 2010
35,263	40,216	Financial liabilities	5,872	5,099
525	528	Loans and receivables	925	925

Figures based on SPT proportion of GCC debt

27. Financial Instruments (continued)

The fair value of financial liabilities is more than the carrying amount because GCC's underlying portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. GCC's commitment to pay interest above current market rates increases the amount that GCC would have to pay if the lender requested or agreed early repayment of the loan.

The fair value of loans and receivables is higher than the carrying amount because the GCC's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. The guarantee to receive interest above current market rates increases the amount the Council would receive if it agreed to early repayment of the loan.

Nature and extent of risks arising from financial instruments

SPT has fully adopted CIPFA's Code of Treasury Management Practices and has specific written risk management policies and procedures.

Credit Risk

Credit risk arises from temporary deposits placed with banks and financial institutions, as well as credit exposure to SPT's customers. SPT maintains a formally approved counterparty list for these deposits, and investments are restricted to a prudent maximum amount for each financial institution.

The following analysis summarises SPT's potential maximum exposure to credit risk, based on experience of default assessed by the credit rating agency.

Amount as at 31 March 2009 £000		Amount as at 31 March 2010 £000	Historical Experience of Non-payment Adjusted for Market Conditions %	Estimated Maximum Exposure to Default and uncollectability £000
48,162	Deposits with banks and other financial institutions	45,431	0.000	0
1,165	Customers	1,229	0.359	441
49,327	**Total**	**46,660**	-	**441**

27. Financial Instruments (continued)

SPT does not generally allow credit for customers, such that £0.574 million of the £1.229 million balance is past its due date for payment. The past due amount can be analysed as follows:

31 March 2009		31 March 2010
£000	**Age**	**£000**
555	Less than 3 months	919
107	3 to 6 months	182
101	6 months to 1 year	128
0	More than 1 year	0
763	**Total**	**1,229**

SPT's main source of long term borrowing is via the debt arrangements followed by GCC. They have indicated that there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

SPT held no bank overdraft facility as at 31 March 2010. Trade creditors amounted to £3.914 million.

The requirement that current liabilities are to be recognised even if refinanced post balance sheet, or if the original life deems the liability to be long term, has been complied with.

Market Risk

Movements in market interest rates expose SPT to risk due to uncertainty in the interest payable on borrowings and interest receivable on investments. Higher interest rates would increase the interest charged on variable borrowing (as a proportion of GCC's overall position) and increase income received on variable rate lending, both of which would impact on the Income and Expenditure account.

SPT's strategy for managing interest rate risk is covered in its Treasury Management Strategy. Taking cognisance of interest rate forecasts during the year, fixed rate investments may be taken for longer periods to secure better long term returns. With regard to the main underlying debt, SPT is subject to the treasury management policies set by GCC.

According to these investment strategies, as at 31 March 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2009		31 March 2010
£000	**Estimated Financial Effect**	**£000**
59	Increase in the interest payable on variable rate borrowings (share of GCC debt)	10
(380)	Increase in interest receivable on variable rate investments	(448)
(321)	**Net theoretical impact on I&E Account**	**(438)**

The impact of a 1% decrease in interest rates would be as above but with the figures being reversed.

SPT has no exposure (directly or indirectly via GCC) to any price risk as a result of equity share investments, or to any foreign exchange rate movements.

27. Financial Instruments (continued)

Further to the disclosures made in the preceding comments, a number of potential disclosures relating to Financial Instruments do not apply to SPT for this financial year due to the limited complexity and profile of loans and investments included in SPT's financial statements. These are summarised below:

- No reclassification of assets carrying value between fair value and amortised cost was made;
- No transfer of financial assets were made;
- No carrying value, or fair value of collateral was held;
- No credit losses on financial assets occurred;
- No defaults on loans payable occurred;
- No gain or loss on financial assets or liabilities at fair value were recorded in the Income and Expenditure Account;
- There was no gain on loans and receivables;
- There was no gain or loss on financial liabilities at amortised cost;
- There was no gain or loss arising from impairment on any class of financial asset;
- SPT did not directly apply a fair value determination of financial instruments, but relied on the policy followed by GCC;
- No carrying amount was estimated for short term receivables and payables;
- No offsetting of financial assets and liabilities occurred;
- There were no breaches of long term loan agreements that would have resulted in payment due in less than one year now being treated as current; and
- No current liabilities were rolled forward to a term longer than 12 months and treated as long term.

Section 95 of the Local Government (Scotland) Act 1973 places responsibility for the proper administration of Strathclyde Partnership for Transport's financial affairs upon the proper officer of the Partnership. In SPT the Assistant Chief Executive (Business Support) is the responsible officer.

This statement applies to the 2009/10 financial statements of the Partnership. The transitional requirements of the International Financial Reporting Standards (IFRS) have been adopted by SPT in the preparation of the 2009/10 financial statements. We acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned.

The system of internal financial control is based on a framework of guidance and regular management information, financial regulations, administrative and authorisation procedures, management supervision and a system of delegation and accountability.

Development and maintenance of the system is undertaken by officers of the Partnership. Key elements include:

- comprehensive revenue and capital budgeting systems integrated with service planning;
- a regime for regular reporting to the Partnership of periodic and annual financial reports which highlight financial performance against forecast;
- setting targets to measure financial and other performance;
- performance management information;
- project management disciplines; and
- guidance relating to financial processes, procedures and regulations.

Internal audit is an independent appraisal function approved by the Partnership for the review of the internal control systems as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

The internal audit team operates in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom. The team undertakes an annual programme of work approved by the Partnership based on a three-year strategic audit plan. The plan is based on a formal audit needs assessment which is revised on an ongoing basis to reflect evolving risks and changes within the organisation.

All internal audit reports identifying system weaknesses and / or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and action plans. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. Reports are subsequently monitored by the Cabinet Team, Executive Team, Secretary and the Audit & Standards Committee, as well as other officers.

The effectiveness of internal financial controls is informed by officers throughout the Partnership and the Audit and Standards Committee as scrutiny committee and by the work of internal and external audit. It is SPT's view that the systems for internal control were effective during 2009/10 with no identified material weaknesses, and will be improved through implementation of the recommended actions from internal and external audit reports, and continuous corporate business planning.

It should be noted that the system of internal financial control can provide only reasonable and not absolute assurance that all transactions are properly assessed or that errors have been prevented, and as such the Partnership is continually seeking to improve the effectiveness of its system of internal financial control.

Valerie Davidson

Valerie Davidson
Assistant Chief Executive (Business Support)
29 September 2010

We certify that we have audited the financial statements of Strathclyde Partnership for Transport for the year ended 31 March 2010 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement and the related notes and the Statement of Accounting Policies. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Strathclyde Partnership for Transport ("the Partnership") and the Accounts Commission for Scotland, in accordance with Part VII of the Local Government (Scotland) Act 1973. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Strathclyde Partnership for Transport and the Accounts Commission for Scotland, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Chief Executive (Business Support) and auditor

The Assistant Chief Executive (Business Support)'s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice ("the 2009 SORP") are set out in the Statement of Responsibilities for the financial statements on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland.

We report our opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

In addition we report to you if, in our opinion, the Partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement on the System of Internal Financial Control reflects compliance with the SORP, and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the Partnership's governance procedures or its risk and control procedures.

We read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Financial Statement by the Assistant Chief Executive (Business Support) and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Assistant Chief Executive (Business Support) in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Partnership’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of Strathclyde Partnership for Transport as at 31 March 2010 and its income and expenditure for the year then ended; and

- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

S Reid

S Reid
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
191 West George Street
Glasgow
G2 2LJ
29 September 2010

Notes

joining up journeys

SPT

Strathclyde Concessionary Travel Scheme
Financial Statements for the year ended 31 March 2010

Contents

Members of the Joint Committee

Member	Representing
Duncan MacIntyre	Argyll & Bute Council
John Campbell	East Ayrshire Council
Alan Moir	East Dunbartonshire Council
Eddie Phillips (Vice Chair)	East Renfrewshire Council
Ellen Hurcombe	Glasgow City Council
Ian McKenzie	Inverclyde Council
John Reid	North Ayrshire Council
Robert Burrows (Chair)	North Lanarkshire Council
Alan Noon	Renfrewshire Council
Nan McFarlane	South Ayrshire Council
Eileen Logan	South Lanarkshire Council
Jim McElhill	West Dunbartonshire Council
Jonathan Findlay	Glasgow City Council

Secretary

Valerie Davidson
Strathclyde Partnership for Transport
Consort House
12 West George Street
Glasgow
G2 1HN

Address for correspondence

Valerie Davidson
Assistant Chief Executive (Business Support)
Strathclyde Partnership for Transport
Consort House
12 West George Street
Glasgow
G2 1HN

Background

The Strathclyde Concessionary Travel Scheme Joint Committee ("SCTS" or "the Joint Committee") is pleased to present the report and financial statements of the Scheme for the year ended 31 March 2010.

SCTS comprises the 12 councils within the designated Strathclyde Partnership for Transport area plus the chair of Strathclyde Partnership for Transport. The costs of the Scheme are met by the 12 councils. Strathclyde Partnership for Transport administers the Scheme on behalf of the Joint Committee.

The Joint Committee was established on 22 October 1999, although as outlined below significant changes have been made since then.

Scope of the Scheme

The Strathclyde Concessionary Travel Scheme offers reduced fares on First ScotRail services, which start and finish within the Scheme's boundaries, and on Glasgow's Subway. Free travel was also available on local ferries for anyone who lives on an island or peninsula and meets the qualifying criteria.

The Scheme is open to people aged 60 years old and over and many disabled people if they live permanently in the area covered by the Scheme. Strathclyde Concessionary Travel Cards, with a named ferry route on them (Ferry Travel Cards), are available to people aged 60 years old and over and many disabled people if they live permanently on one of the islands covered by the Scheme or they live on the Cowal or Rosneath Peninsulas.

On 22 December 2004 the Minister for Transport and Lifelong Learning announced in the Scottish Parliament that a National Concessionary Travel Scheme for Bus would be introduced from 1 April 2006. As a result all bus concession travel became a matter for Transport Scotland with effect from 1 April 2006 with railway, subway and ferry within the designated Strathclyde Partnership for Transport area remaining a matter for the Joint Committee.

The Scheme was reviewed in 2009/10 with changes to fares being amongst a range of measures proposed to ensure the sustainability of the Scheme in the future. These measures were approved by the Joint Committee on 11 December 2009 and will be implemented in 2010/11.

Review of Performance

SCTS's income and expenditure account is shown on page 58 and details the income and expenditure for the financial year ended 31 March 2010.

The agreed budget for 2009/10 was £4.836 million. Funding contributions from the 12 participating councils were agreed at £2.526 million with the balance of £2.310 million funded from reserves.

Cash payments to operators in the year amounted to £4.562 million. The final outturn is £4.906 million which is £0.344 million more than the original 2009/10 budget. The variance in outturn against budget is a result of increased operator payments, due to increased patronage, and a reduction in bank interest.

It should be noted that the Joint Committee has no influence over either the number of journeys made by cardholders or the commercial fare levels set by operators. This means that the actual cost of running the Scheme can vary substantially from the budgeted figure because of changes in the market place over which no control can be exercised.

Funding due and received is £2.526 million which is in line with the original 2009/10 budget.

Balance Sheet

SCTS's balance sheet is shown on page 59 and provides details of SCTS's assets and liabilities as at 31 March 2010. The major balance sheet movement in 2009/10 is in relation to the reduction in reserves based on the deficit for the year.

Cash Flow Statement

The Cash Flow Statement and the accompanying notes on page 60 summarise the inflows and outflows of cash arising from transactions with third parties for revenue purposes during the year.

Total Movement in Reserves

The Statement of Movement in Reserves reported on page 67 shows the general reserves held by the SCTS as at 31 March 2010. With the exclusion of bus operators from the scheme, a review of the level of balances was conducted with the result that the budgeted funding for 2009/10 included a draw on reserves of £2.380 million. The overall level of reserves has reduced significantly over the last few years as planned and is now close to a level commensurate with the size and nature of the Scheme. Consequently it is not anticipated that reserves will continue to be reduced in this manner in future financial years.

Membership of the Joint Committee

Details of representation on the Joint Committee at 31 March 2010 are shown on page 52.

Approved on behalf of Strathclyde Concessionary Travel Scheme Joint Committee and signed on their behalf

Valerie Davidson

Valerie Davidson
Treasurer
29 September 2010

The Joint Committee's responsibilities

The Joint Committee is required to:

- Make arrangements for the proper administration of the Scheme and its financial affairs. The responsibility for the administration of the scheme on a day to day basis has been delegated to Strathclyde Partnership for Transport.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Treasurer's responsibilities

The Treasurer is responsible for the preparation of the Scheme's statement of accounts in accordance with proper practices as set out in CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this statement of accounts, the Treasurer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Treasurer has also:

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

Corporate Governance

Corporate Governance is the system by which organisations direct and control their functions and relate to their communities. The fundamental principles of corporate governance are openness, inclusivity, integrity, accountability and effectiveness.

Although SCTS is a separate legal entity, due to the administrative relationship between SCTS and Strathclyde Partnership for Transport (SPT), there are a number of shared systems between the two bodies. The corporate governance framework that governs SCTS is also that of SPT.

Best Practice

SPT has formally adopted a local corporate governance framework covering its work. This local framework is based upon the best practice framework developed for the public sector jointly by the Society of Local Authority Chief Executives (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA). It is built around the five interlocking dimensions of corporate governance:

- community focus;
- service delivery arrangements;
- structures and processes;
- risk management and internal control; and
- standards of conduct.

Performance during 2009/10

SPT was created on 1 April 2006. During 2009/10 the corporate governance arrangements have been reviewed and action taken to strengthen these arrangements.

The following improvements to systems of corporate governance were achieved:

- business continuity arrangements were strengthened;
- performance information was improved;
- details of expenses for directors and members published;
- an improved financial management system was implemented; and
- corporate risk arrangements were consolidated.

Based upon a review of the local framework including best practice compliance indicators, SPT is satisfied that corporate governance arrangements, apart from the items listed below, are satisfactory and operating effectively. The Partnership's external auditors (KPMG) carried out an extensive review of the arrangements for the payment of expenses within SPT to address various complaints of potential weaknesses in internal control. Following this review SPT is working to identify any improvement actions required to ensure that best practice is being achieved in these arrangements. Areas of the local framework where development is required are:

- an annual review of corporate governance arrangements;
- the further development of business continuity plans;
- the review of the senior management structure; and
- the review of staff development and performance appraisal schemes.

Over the coming year SPT will continue to enhance corporate governance arrangements and seek to adopt the updated corporate governance framework advocated in the CIPFA / SOLACE publication - Delivering Good Governance in Local Government.

Valerie Davidson
Treasurer / Secretary
29 September 2010

Income and Expenditure Account
for the year ended 31 March 2010

	Note	2008/09 £000	2009/10 £000
Expenditure			
Payments to operators		5,211	4,562
Administration costs	1,2	395	416
Net cost of service		5,606	4,978
Interest received	3	(420)	(72)
Net operating expenditure		5,186	4,906
Amounts to be met from external sources		5,186	4,906
Financed by:			
Funding received – Local Authorities	4	(2,526)	(2,526)
Net deficit for the year		2,660	2,380
Surplus brought forward		(9,253)	(6,593)
Surplus carried forward to general reserves		(6,593)	(4,213)

The results for both years reflect trading from continuing activities. There are no recognised gains or losses in either year other than the results for the financial year. Accordingly no statement of total recognised gains and losses is given.

Balance Sheet as at 31 March 2010

	Note	2008/09 £000	2009/10 £000
Current Assets			
Short term investments	5	4,033	0
Cash at Bank		4,214	6,318
Debtors	6	7	0
		8,254	6,318
Current Liabilities			
Bank Overdraft		0	(364)
Amounts due to operators	7	(1,218)	(714)
Creditors	8	(442)	(1,027)
		(1,660)	(2,105)
Net Current Assets		6,594	4,213
Provision for Liabilities and Charges		0	0
Total Assets less Current Liabilities / plus Current Assets		6,594	4,213
Reserves			
General fund	9	6,594	4,213
		6,594	4,213

The unaudited financial statements were issued on 25 June 2010 and the audited financial statements were authorised for issue on 29 September 2010.

Signed on behalf of the Joint Committee:

Valerie Davidson

Valerie Davidson
Treasurer / Secretary
29 September 2010

Cash Flow Statement
for the year ended 31 March 2010

	2008/09 £000	2009/10 £000
Revenue Activities		
Cash Outflows		
Cash paid to and on behalf of employees	(170)	(200)
Other operating cash payments	(5,331)	(4,327)
	(5,501)	(4,527)
Cash inflows		
Other operating cash receipts	2,526	2,526
Net cash inflow/ (outflow) from revenue activities – Note A	(2,975)	(2,001)
Returns on investments and servicing of finance		
Cash inflows		
Interest received	420	72
Net cash inflow from servicing of finance –	420	72
Management of liquid resources – Note C		
Net (increase)/ decrease in short term deposits	6,765	4,033
Increase/ (decrease) in cash – Note B	4,210	2,104

Notes to the Cashflow Statement

Note A

Reconciliation of net cash inflow/(outflow) from revenue activities to operating surplus	2008/09 £000	2009/10 £000
Operating deficit	(2,660)	(2,380)
Deduct interest received	(420)	(72)
	(3,080)	(2,452)
Decrease in Debtors	99	7
(Decrease)/Increase in Creditors	6	80
Increase in bank overdraft	0	364
	(2,975)	(2,001)

Note B
Analysis of movement in cash

	At 1 April 2009 £000	Cashflows £000	At 31 March 2010 £000
Cash at bank	4,214	2,104	6,318

Note C
Analysis of movement in liquid resources

	At 1 April 2009 £000	Cashflows £000	At 31 March 2010 £000
Short term investments	4,033	(4,033)	0

The general policies adopted in compiling and presenting the financial statements are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). The accounting policies adopted are designed to ensure that the financial statements give a 'true and fair view' of the financial performance of the Joint Committee for the year.

1. Amounts due to operators

Amounts due to operators are based on actual claims processed. Where claims have not been received the liability is estimated based on the historic level of payments and known passenger trends. Outstanding additional cost claims have been included at the cost shown in the operators' claims or if under negotiation at the latest negotiated figure. The operators claim includes compensation to operators for lost fares and administration costs as permitted under the current Strathclyde Concessionary Travel Scheme.

2. Administration costs

Strathclyde Partnership for Transport provides the administrative support to the Scheme and also meets certain costs attributable solely to the administration of the Scheme. The recharge includes:

- employees from SPT who are involved full time in administering the scheme, including employer on-costs such as National Insurance and employer superannuation contributions.
- general support staff who are charged on the basis of estimated time spent on the Scheme's activities, including employer on-costs.
- an allowance for the Partnership overheads. These overheads are allocated based on staff numbers and include property costs, printing and stationery, supplies and services.

3. FRS 17 - Retirement Benefits

In accordance with Financial Reporting Standard 17, SCTS is required to disclose certain information concerning assets, liabilities, income and expenditure relating to pension schemes for its employees.

As SCTS does not have any direct employees, the standard does not apply and accounting requirements are contained with the financial statements of Strathclyde Partnership for Transport.

4. Investments

Temporary surplus cash balances are invested with major financial institutions. An investment return is earned on these investments and is shown in the income and expenditure account as interest received.

5. Bank balances

Bank balances are included in the balance sheet at the closing balance in the SCTS ledger.

6. VAT

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

7. Financial Instruments

The Joint Committee does not utilise financial instruments. There is no difference between the carrying value and fair value of the assets and liabilities on the balance sheet.

8. Related party transactions

Related party transactions are identified, considered and disclosed in line with the requirements of Financial Reporting Standard 8 - Related Party Transactions (FRS 8).

1. Administration costs

The administration costs are analysed below:

	2008/09 £000	2009/10 £000
Staff costs	170	198
External auditor's remuneration	8	5
Members allowances and expenses	6	7
Other costs	163	191
Debt written off	11	0
Payments to the Post Office	37	15
	395	416

The average number of full time SPT staff dealing with the administration of the Scheme was 10 (2008/09: 8).

The 2009/10 fee in respect of external audit services undertaken in accordance with Audit Scotland's Code of Audit Practice was approximately £5,500. The fee is payable to Audit Scotland and to KPMG LLP, SCTS's appointed auditors. No other fees were paid to KPMG LLP in respect of any other services.

2. Members' allowances and expenses

The total amount paid in respect of Members' Allowances and Expenses incurred by the SCTS in respect of the Chair and Vice Chair of the Joint Committee was:

	2008/09 £000	2009/10 £000
Members' Allowances	6	7
Expenses	0	0
	6	7

3. Interest received

This interest relates to interest received from investing SCTS's temporary surplus funds with major financial institutions throughout the year.

	2008/09 £000	2009/10 £000
Interest Received	420	72
	420	72

4. Funding received

The Scheme is funded by contributions received from the local authorities within the area served by the Scheme and from a draw on reserves. The funding is set as part of the budget process and takes account of expected participation, changes in fares and the level of reserves.

The funding received or due from local authorities is set out in the table below:

	2008/09 £000	2009/10 £000
Argyll & Bute Council	104	104
East Ayrshire Council	144	144
East Dunbartonshire Council	130	130
East Renfrewshire Council	105	105
Glasgow City Council	624	624
Inverclyde Council	101	101
North Ayrshire Council	168	168
North Lanarkshire Council	341	341
Renfrewshire Council	198	198
South Ayrshire Council	157	157
South Lanarkshire Council	348	348
West Dunbartonshire Council	106	106
	2,526	2,526

5. Short term investments

There were no short term investments as at 31 March 2010.

6. Debtors

	2008/09 £000	2009/10 £000
VAT recoverable from HM Revenue and Customs	7	0
	7	0

7. Amounts due to operators

	2008/09 £000	2009/10 £000
Outstanding Operator Payments	1,218	714

Operator Payments are based on actual claims processed. Where claims have not been received the liability is estimated based on the historic level of payments and known passenger trends.

8. Creditors

	2008/09 £000	2009/10 £000
Other Creditors	11	32
Amounts due to SPT	431	995
	442	1,027

9. General reserves

The Statement of Total Movement in Reserves on page 67 provides a breakdown of the movement on the reserve balances.

10. Related party transactions

FRS 8 requires disclosures to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them. During the year, transactions with related parties arose as follows:

Related Party	2009/10 Income £000	2009/10 Expenditure £000	Transaction
Strathclyde Partnership for Transport	7	390	Administration costs and overhead
Unitary Authorities	2,526		Revenue funding to SCTS

Strathclyde Partnership for Transport

SPT provides the administrative support to the Scheme and also meets certain costs attributable solely to the administration of the Scheme.

Unitary Authorities

The cost of the SCTS is met by the 12 unitary authorities, who provide the funding of the scheme.

11. Total movement in reserves

	General Fund £000
Balance as at 1 April 2009	6,593
Net Deficit for year	(2,380)
Balance as at 31 March 2010	**4,213**

Statement of System of Internal Financial Controls

Although the Joint Committee is a separate legal entity, due to the administrative relationship with Strathclyde Partnership for Transport (SPT), there are a number of shared systems between the two bodies. The financial control framework that governs the Joint Committee is also that of SPT.

Section 95 of the Local Government (Scotland) Act 1973 places responsibility for the proper administration of Strathclyde Partnership for Transport's financial affairs upon the proper officer of the Partnership. In SPT the Assistant Chief Executive (Business Support) is the responsible officer.

This statement applies to the 2009/10 financial statements for SPT. The transitional requirements of the International Financial Reporting Standards (IFRS) have been adopted by SPT in the preparation of the 2009/10 financial statements. We acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned.

The system of internal financial control is based on a framework of guidance and regular management information, financial regulations, administrative and authorisation procedures, management supervision and a system of delegation and accountability.

Development and maintenance of the system is undertaken by officers of SPT. Key elements include:

- comprehensive revenue and capital budgeting systems integrated with service planning;
- a regime for regular reporting to the Partnership of periodic and annual financial reports which highlight financial performance against forecast;
- setting targets to measure financial and other performance;
- performance management information;
- project management disciplines; and
- guidance relating to financial processes, procedures and regulations.

Internal audit is an independent appraisal function approved by the Partnership for the review of the internal control systems as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

The internal audit team operates in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom. The team undertakes an annual programme of work approved by the Partnership based on a three-year strategic audit plan. The plan is based on a formal audit needs assessment which is revised on an ongoing basis to reflect evolving risks and changes within the organisation.

All internal audit reports identifying system weaknesses and / or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and action plans. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. Reports are subsequently monitored by the Cabinet Team, Executive Team, Secretary and the Audit & Standards Committee, as well as other officers.

The effectiveness of internal financial controls is informed by officers throughout the Partnership and the Audit and Standards Committee as scrutiny committee and by the work of internal and external audit. It is the Partnership's view that the systems for internal control were effective during 2009/10 with no identified material weaknesses, and will be improved through implementation of the recommended actions from internal and external audit reports, and continuous corporate business planning.

It should be noted that the system of internal financial control can provide only reasonable and not absolute assurance that all transactions are properly assessed or that errors have been prevented, and as such SPT is continually seeking to improve the effectiveness of its system of internal financial control.

Valerie Davidson
Assistant Chief Executive (Business Support)
29 September 2010

We certify that we have audited the financial statements of Strathclyde Concessionary Travel Scheme Joint Committee for the year ended 31 March 2010 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Balance Sheet and Cash-Flow Statement and the related notes and the Statement of Accounting Policies. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Strathclyde Concessionary Travel Scheme Joint Committee ("the Committee") and the Accounts Commission for Scotland, in accordance with Part VII of the Local Government (Scotland) Act 1973. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Strathclyde Concessionary Travel Scheme Joint Committee and the Accounts Commission for Scotland, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice ("the 2009 SORP") are set out in the Statement of Responsibilities for the financial statements on page 55.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland.

We report our opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

In addition we report to you if, in our opinion, the Committee has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement on the System of Internal Financial Control reflects compliance with the SORP, and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the Committee's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Joint Committee and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Committee's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of Strathclyde Concessionary Travel Scheme Joint Committee as at 31 March 2010 and its income and expenditure for the year then ended; and

- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

S Reid

S Reid
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
191 West George Street
Glasgow
G2 2LJ
29 September 2010

Strathclyde Partnership for Transport

Secretary

Valerie Davidson

Assistant Chief Executive (Business Support)
Strathclyde Partnership for Transport
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Strathclyde Concessionary Travel Scheme

Secretary

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Further Information and additional copies

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