joining up journeys

Strathclyde Partnership for Transport

Financial statements for the year ended 31 March 2007

Financial statements for the year ended 31 March 2007

Members of the Partnership

Members of Strathclyde Partnership for Transport (as at 31 March 2007)

Member	Representing
Duncan MacIntyre	Argyll & Bute
Eric Ross	East Ayrshire
Julia Southcott	East Dunbartonshire
Alan Lafferty	East Renfrewshire
Irene Graham	Glasgow
John Mason	Glasgow
Jim McNally	Glasgow
Alan Stewart	Glasgow
Alistair Watson	Glasgow
Eric Forbes	Inverclyde
Sam Taylor	North Ayrshire
David Fagan	North Lanarkshire
John Higgins	North Lanarkshire
Barry McCulloch	North Lanarkshire
John McDowell	Renfrewshire
Margaret Toner	South Ayrshire
Eileen Logan	South Lanarkshire
Davie McLachlan	South Lanarkshire
Chris Thompson	South Lanarkshire
Linda McColl	West Dunbartonshire
Niall McGrogan	Appointed Member
Liz Connelly	Appointed Member
Thomas Hart	Appointed Member
Alan Malcolm	Appointed Member
Gavin Scott	Appointed Member
Bill Ure	Appointed Member
Alan Wilson	Appointed Member

Secretary

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

Address for correspondence

Neil Wylie
Director of Finance
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Financial Statement by the Assistant Chief Executive (Business Support)

Introduction

The Strathclyde Partnership for Transport (SPT) is the regional transport partnership (RTP) for the West of Scotland. It is one of seven RTPs 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 roles of the SPTA and SPTE with effect from 1 April 2006.

Following the creation of SPT, a major review of SPT's activities was commissioned in May 2006. The review identified a need for significant change in SPT including structural re-organisation. Significant internal restructuring has already taken place and more will follow in 2007/08 as the implementation of the review draws to a close. No material impact on SPT's financial performance has occurred or is planned to occur over the whole life of the re-organisation.

Preparation of Financial Statements

The financial statements demonstrate Strathclyde Partnership for Transport's (SPT) stewardship of the public funds it controls. The financial statements have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice (SORP). However, a technical bulletin was received late in June 2007 from Audit Scotland guiding that the Transport (Scotland) Act 2005 did not permit RTPs, including SPT, to generate a surplus or deficit on the general fund and hence to add to reserves. SPT does have the power to hold and utilise reserves but according to the technical bulletin, not to contribute to reserves. SPT, having taken legal advice, does not agree with this view, given that the powers of SPTA and SPTE were transferred to SPT, but has prepared the accounts in accordance with that position.

In November 2005, management of the First Scotrail franchise was transferred to Transport Scotland. As a consequence of the material sums involved in managing the franchise, prior year comparators in the accounts for the year ended 31 March 2007 have been restated to reflect this transfer.

Pages 9 to 13 sets out the accounting policies adopted by SPT in the preparation of the accounts to ensure that the accounts 'present fairly' SPT's financial position.

Financial Review

SPT's income and expenditure account is shown on pages 14 and 15, detailing the income and expenditure for the financial year ended 31 March 2007.

The SPT net revenue budget was set at £40.615 million; of this £34.298 million was financed by requisition from the 12 unitary authority partners in the SPT area with the remaining £6.317 million financed by Scottish Executive grant. In the year ended 31 March 2007 the actual grant funding received from the Scottish Executive was £10.563 million. The additional funding was used to support the continuation of public transport initiatives previously agreed with the Scottish Executive and to redeem debt .

As previously stated, no surplus or deficit has been generated in 2006/07. However, a balance of £0.446 million is held on the balance sheet (see Note 19 'Creditors – amounts due within one year) in respect of amounts due to other local authorities. Accounting fully under the SORP, this balance would have represented a surplus and addition to reserves of £0.446 million.

Financial Statement by the Assistant Chief Executive (Business Support)

Balance Sheet

SPT's balance sheet is shown on page 19 and provides details of SPT's assets and liabilities as at 31 March 2007. Explanatory notes are also provided.

Cash Flow Statement

The Cash Flow Statement and the accompanying notes on pages 20 and 21 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 36 shows the movement in revenue and capital reserves held by SPT as at 31 March 2007. Reserves held by the predecessor bodies, SPTA and SPTE, have been consolidated where appropriate.

Capital Expenditure

With the introduction of the prudential framework and removal of the capital expenditure constraints, SPT now receives a specific grant from the Scottish Executive to fund capital investment. SPT has not supplemented that grant with borrowing during financial year 2006/07.

Details of capital expenditure are shown on page 29. Total expenditure in support of the programme amounted to £30.806 million. The programme was funded by £23.890 million of Scottish Executive general capital grant, Scottish Executive specific grant of £3.301 million in support of the Partick Interchange Development project, the Shields Road Park & Ride Development and the Croy Park & Ride Development, Transport Scotland specific grant of £3.038 million in support of the Glasgow Airport Rail Link and the Larkhall/Milngavie Project and European Commission/Department for Transport grant of £0.577 million in support of the Glasgow Airport Rail Link.

It is anticipated that future funding of capital projects will continue largely on the same basis of general Scottish Executive capital grant and specific grant in support of individual projects where funding is available. The option for SPT to borrow in accordance with the Prudential Code also remains.

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 has commenced a rolling programme of asset revaluation with a number of high value assets assessed and revalued in the financial year 2006/07. This revaluation programme will continue in 2007/08, with all land and property assets scheduled to be assessed in that period.

Financial Statement by the Assistant Chief Executive (Business Support)

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 2007, which shows a deficit.

The next funding valuation will be carried out as at 31 March 2008.

Further details of Concessionary Travel Accounts

More details of revenue expended on public transportation are contained within the accounts of Strathclyde Concessionary Travel Scheme. Copies of these accounts are available from Consort House, 12 West George Street, Glasgow G2 1HN.

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

Valerie Davidson
Assistant Chief Executive (Business Support)
28 September 2007

Statement of Responsibilities

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), and
- 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, and
- complied with the Code of Practice on Local Authority Accounting in UK.

The Assistant Chief Executive (Business Support) 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 statement

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, inclusively, 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 2006/07

SPT was created on 1 April 2006. During 2006/07 the corporate governance arrangements have been reviewed and action taken to strengthen these arrangements.

The following improvements to systems of corporate governance were achieved:

- an Audit and Standards Committee was established;
- a Risk Management Group was created;
- the local framework updated and adopted by the Partnership;
- performance information was improved, and
- the community planning function strengthened.

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. Areas of the local framework where development is required are:

- the introduction of a communication strategy;
- the development of business continuity plans;
- updating the scheme of delegation and financial regulation following the current organisational review, and
- the extension of staff development and performance appraisal schemes.

Over the coming year SPT will continue to further enhance corporate governance arrangements.

Conclusion

SPT has developed and adopted a local framework for corporate governance. The organisation's corporate governance arrangements are satisfactory. SPT will continue to identify necessary improvements and respond to changing initiatives.

Ron Culley
Chief Executive

28 September 2007

Valerie Davidson
Assistant Chief Executive
(Business Support)
28 September 2007

Accounting Policies

General Principles

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA/LASAAC, and are in respect of the year to 31 March 2007.

1. Accounting convention

The financial statements have been prepared under the historical cost convention.

2. Basis of preparation

The 2006 comparative figures have been prepared in line with the requirements of Financial Reporting Standard 6, Acquisitions and Mergers. The Strathclyde Partnership for Transport (SPT) was formed on 1 April 2006 by the transfer of activities, assets and liabilities from the former Strathclyde Passenger Transport Executive (SPTE) and Strathclyde Passenger Transport Authority (SPTA). The results and cash flows of the former SPTE and SPTA have been brought into the financial statements of SPT at 1 April 2006. The corresponding figures in the financial statements have been prepared by including the results of the former SPTE and SPTA for the year ended 31 March 2006 and their balance sheets as at 31 March 2006. No adjustments were required to achieve uniformity of accounting policies.

- **Revenue income and debtors**

  All transactions relating to the period to 31 March 2007 have been matched and accounted for in the period to which they relate.

- **Revenue expenditure and creditors**

  All salaries earned up to 31 March 2007 are included in the accounts irrespective of when the actual payments are made.

  Sundry creditors are accrued on the basis of payments made following 31 March 2007 together with specific accruals in respect of further material items.

- **Capital transactions**

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

- **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.

- **Operating leases**

  Operating lease payments are charged to the income and expenditure account on a straight-line basis over the term of the lease.

- **Pension costs**

  SPT is a recognised "employing authority" within the meaning of the Local Government Superannuation (Scotland) Regulations and transfers were collected from employee members and employer's contributions to Glasgow City Council (GCC), which is the administering authority. The contributions are determined by a qualified actuary on the basis of triennial valuation 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 defined benefits pension scheme's assets are included at market value and this is compared to the present value of the scheme liabilities using a projected unit method and discounted at a rate prescribed by CIPFA/LASAAC. The increase in the present value of liabilities of the scheme expected to arise from employee service in the period as charged to the income and expenditure account.

  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 is included within the net operating expenditure.

3. Stocks for repair and maintenance

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

4. 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 on the income and expenditure account.

5. 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 40 years depending on the nature of the capital expenditure. All loan charges are charged to the income and expenditure account

6. Investments

Surplus cash balances are invested with major financial institutions as part of SPT's treasury management function. In compliance with the Prudential Code 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.

7. Provisions

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

8. 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.

9. Capital and other reserve accounts

Capital reserve accounts are a requirement of the capital accounting arrangements. They do not represent funds available to SPT. The Capital Financing Account contains entries relating to the financing of capital expenditure and the difference between principal repayment and deferred charges written off to revenue, and the Useable Capital Receipts Reserve represents the value by which future capital expenditure may be enhanced. The revaluation reserve stores the gains in revaluation of fixed assets. Details of the movement in these reserves can be found on page 36.

10. Bank balances

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

11. 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 investment 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 are amortised over 3 years.

Subsidised bus contract vehicles have been allocated to intangible assets as SPT have an economic benefit through reduced subsidised bus service contract costs. The asset will be amortised over 5 years in line with the length of the subsidised bus contract.

12. 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 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 in the SORP.

This is the first year that SPT has had to be fully compliant with the guidance contained in the SORP. SPT's Strategic Asset Manager will revalue land and property on a 5 year rolling basis in compliance with the SORP and in accordance with the guidelines provided within the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards Manual

SPT commenced the revaluation process in the financial year 2006/07 with the valuation of four high value and significant assets owned by SPT. All material changes in the value of these assets are reflected in the Balance Sheet.

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

Rolling Stock relates to Subway rolling stock. 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 vehicles, 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 written off in the year in which expenditure occurred. SPT grant fund other organisations to purchase or build public transport assets within the SPT area.

Assets Under Construction are not depreciated, because depreciation is only appropriate when assets are complete and fit for purpose. The category captures ongoing costs for various projects including the Partick Interchange Development and the Croy Park & Ride Development.

Investments relate to retail outlets contained within some of SPT's operational assets such as Shields Road car park. The assets are valued at Market Value (MV) in line with the guidance contained within the SORP.

Surplus Land 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.

13. Depreciation

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	n/a	Land: not applicable Buildings: 40 years
Plant & machinery	Not applicable	Cost	n/a	1 - 25 years
Rolling stock	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
3rd Party Rolling Stock	Not applicable	Cost	n/a	20 years
3rd Party 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
Investments	Strategic Asset Manager	Market value	n/a	1 - 40 years
Surplus land	Not applicable	Market value	n/a	n/a

The category of assets under construction was not previously used by SPTE, but has now been adopted by SPT in line with SORP guidance.

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

14. Related party transactions

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

15. Corresponding amounts

Corresponding amounts are shown for the primary financial statements and for the notes to the accounts. Where corresponding amounts are not directly comparable with the amount shown in the current financial year, Financial Reporting Standard 28, Corresponding Amounts requires that they should be adjusted and the basis for adjustment disclosed as a note to the financial statements.

Income and Expenditure Account
for the year ended 31 March 2007

2005/06 £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
8,150	Subway operations	22,124	(14,832)	7,292
10,688	Bus Operations	16,900	(4,808)	12,092
617	Ferry Operations	821	(154)	667
7,990	Policy, Strategy and Projects	7,175	(26)	7,149
488	Corporate & Democratic Core	495	0	495
1,505	Non Distributed Costs	18,906	(18,381)	525
29,438	**Net Cost of Service**	**66,421**	**(38,201)**	**28,220**
(61)	Gain on the disposal of fixed assets			(360)
7,142	Interest Payable and similar charges			6,718
(933)	Interest and Investment Income			(1,672)
(545)	Pensions interest cost and expected return on pension assets			(2,034)
35,041	**Net Operating Expenditure**			**30,872**
(32,668)	Funding received from constituent councils			(33,853)
(8,188)	Funding from Scottish Executive			(10,563)
(5,815)	**Surplus for the Year**			**(13,544)**

In accordance with the Transport (Scotland) Act 2005, rail franchise powers were transferred to Transport Scotland in November 2005. Within these financial statements the 2005/06 comparative figures have been restated to exclude £67.942 million expenditure and £67.942 million income which related to the rail franchise operations.

Income and Expenditure Account
for the year ended 31 March 2007

2005/06 £000	Expenditure	Net Expenditure £000
21,654	Employee Costs	22,304
3,693	Premises Costs	3,756
4,222	Supplies and Services	4,011
137	Transport and Plant	157
11,287	Third Party Payments	13,669
55,656	Financing Costs	29,140
(545)	Pension Interest Cost and Expected Return on Pension Assets	(2,034)
96,104	**Net Cost of Service**	**71,003**
	Income	
(8,188)	Government Grants	(10,563)
(73,207)	Other Grants, Reimbursements & Contributions	(53,684)
(19,591)	Customer and Client Receipts	(18,628)
(933)	Interest	(1,672)
(101,919)		**(84,547)**
(5,815)	**Surplus for the Year**	**(13,544)**

In accordance with the Transport (Scotland) Act 2005, rail franchise powers were transferred to Transport Scotland in November 2005. Within these financial statements the 2005/06 comparative figures have been restated to exclude £67.942 million expenditure and £67.942 million income which related to the rail franchise operations.

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 General Fund Balance.

2005/06 £000		2006/07 £000
(5,815)	Surplus for the year on the Income and Expenditure Account	(13,544)
3,767	Net additional amount required by statute and non-statutory proper practises to be debited or credited to the General Fund Balance for the Year	13,544
(2,048)	Increase in General Fund Balance for the Year	0
(16,749)	General Fund Balance brought forward	(18,797)
(18,797)	General Fund balance carried forward	(18,797)

Note of reconciling movements for the Statement of Movement on the General Fund Balance

2005/06 £000			2006/07 £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		
(40,318)	Write off of intangible fixed assets	(15,157)	
(14,183)	Depreciation and impairment of fixed assets	(7,428)	
46,508	Government Grants Deferred Amortisation	19,600	
61	Net gain on sale of fixed assets	360	
314	Net charges made for retirement benefits in accordance with FRS 17	1,669	
(7,618)		(956)	
	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		
12,920	Loans fund principal repayments	14,500	
12,920		14,500	
	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		
(2,679)	Movement in Capital Account	0	
1,144	Transfer to Earmarked Reserves	0	
(1,535)		0	
3,767	**Net additional amount required to be debited to the General Fund balance for the year**		**13,544**

Statement of Total Recognised Gains and Losses
for the year ended 31 March 2007

2005/06 £000		2006/07 £000
5,815	Surplus on the income and expenditure account for the year	13,544
14,805	Actuarial gains and losses on pension fund assets and liabilities	9,670
0	Unrealised gain on asset revaluation	6,664
(1,205)	Any other gains and losses required to be included in the STRGL	(560)
19,415	Total recognised gains/losses relating to the year	29,318

Balance Sheet as at 31 March 2007

2005/06 £000		Note	2006/07 £000
	Fixed Assets		
47,697	Tangible Fixed Assets	12	57,090
0	Third Party Assets	12	25,793
30,110	Intangible Assets	12	598
0	Assets Under Construction	12	12,581
77,807			96,062
	Passenger Transport Facilities		
67,926	Unamortised Cost		0
(67,926)	Grants		(0)
0			0
	Current Assets		
1,066	Stocks	17	859
20,152	Debtors	18	20,281
12,169	Short term investments		14,385
2,245	Bank & Cash in hand		11
35,632			35,536
	Current Liabilities		
(14,777)	Creditors	19	(17,280)
(10,237)	Borrowing repayable within 12 months	20	(13,109)
(25,014)			(30,389)
10,618	Net Current Assets		5,147
88,425	**Total Assets Less Current Liabilities**		101,209
(94,038)	**Borrowing Repayable After 12 Months**	20	(76,664)
(15,183)	**Net Pension Liability**	22	(3,844)
	Deferred Grants		
(17,056)	Subway	21	(19,865)
(2,537)	Other	21	(5,441)
(0)	Assets under Construction	21	(12,581)
(17,851)	Government Grants – Deferred Account	24	(13,571)
(2,053)	**Provisions for Liabilities and Charges**	23	(218)
(60,293)	**Total Assets Less Liabilities**		(30,975)
	Represented by:		
18,797	General Fund	26	18,797
(15,183)	Pension Reserve	22	(3,844)
(64,595)	Capital Financing Account	26	(53,926)
688	Usable Capital Receipts Reserve	26	1,334
0	Fixed Asset Restatement Account	26	6,664
(60,293)			(30,975)

These financial statements were approved by the Assistant Chief Executive (Business Support) on 28 September 2007.

Valerie Davidson

Cash Flow Statement for the year ended 31 March 2007

2005/06 £000		2006/07 £000	2006/07 £000
	Revenue Activities		
	Cash outflows		
21,654	Paid to on behalf of employees	22,304	
82,797	Other operating costs	21,405	
104,451		43,709	
	Cash inflows		
(76,130)	Other government grants	(10,563)	
(32,668)	Other operating cash receipts	(33,853)	
(19,591)	Cash received for goods and services	(18,628)	
(128,389)		(63,044)	
(23,938)	**Net cash inflow from revenue activities**		(19,335)
	Returns on Investment and Servicing of Finance		
	Cash outflows		
7,141	Interest paid	6,718	
	Cash inflows		
(934)	Interest received	(1,672)	
6,207	**Net cash outflow from returns on investment and servicing of finance**		5,046
1,611	**Taxation**		0
	Capital Activities		
	Cash outflows		
12,474	Fixed Asset Additions	22,171	
12,474		22,171	
	Cash Inflows		
(30)	Capital Receipts	(646)	
(14,897)	Capital grants received	(19,616)	
(14,927)		(20,262)	
(2,453)	**Net cash (inflow)/outflow from capital activities**		1,909
	Management of liquid resources		
4,604	Net increase in short term deposits		(2,216)
(13,969)	**Net cash (inflow)/outflow before financing**		(10,164)
	Financing		
	Cash outflows		
12,920	Repayment of amounts borrowed	14,500	
	Cash inflows		
0	Capital loans received	0	
12,920	**Net cash outflow from financing**		14,500
(1,049)	**(Increase)/Decrease in cash**		4,336

Notes to the Cash flow statement

2005/06 £000	Note A	2006/07 £000
(5,815)	(Surplus) / Deficit for the Year	(13,544)
(54,501)	Depreciation & Amortisation	(22,585)
(30)	Disposal of Assets	360
46,508	Capital grant released	19,600
(904)	Decrease in stocks	(207)
(7,683)	(Decrease)/increase in debtors	129
5,971	Decrease/(increase) in creditors	(402)
323	Increase in current accounts	525
11	Decrease in provision for liabilities and charges	1,835
(1,611)	Taxation	0
934	Interest receivable	1,672
(7,141)	Interest payable	(6,718)
(23,938)	**Net cash (inflow)/outflow from operating activities**	(19,335)

Note B

Analysis of movement in cash	At 1 April 2006 £000	At 31 March 2007 £000	Cash flows £000
Cash at bank	2,245	(2,091)	(4,336)

Note C

Analysis of movement in liquid resources	At 1 April 2006 £000	At 31 March 2007 £000	Cash flows £000
Short term investments	12,169	14,385	2,216

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

Note D

Analysis of other Government Grants	2005/06 £000	2006/07 £000
Direct Funding	4,000	8,829
Rural Transport Grant	800	935
Rail Grant	71,330	0
Other Grants	0	799
	76,130	10,563

1. Operating lease commitments

At 31 March 2007 SPT was committed to making the following payments during the next year in respect of operating leases:

2005/06 £000		2006/07 £000
	Leases which expire:	
21	Within one year	16
46	Within two to five years	46
474	After five years	474
541		**536**

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 2006/07, SPT incurred the following expenditure on publicity.

2005/06 £000		2006/07 £000
74	Recruitment Advertising	53
103	Other Advertising	93
950	Other publicity	690
1,127	**Total**	**836**

3. Pensions

Disclosure of information relating to Pensions is achieved by reporting under FRS 17 *Retirement Benefits*. The information requirements under FRS 17 specific to SPT are detailed in note 22.

4. Members' allowances

The total amount paid in respect of Members' Allowances and Expenses for 2006/07 was:

2005/06 £000		2006/07 £000
47	Members' Allowances	54
19	Expenses	39
66		93

5. Audit costs

The 2006/07 fee in respect of External Audit Services undertaken in accordance with the Code of Audit Practice will be approximately £0.061million. The fee is payable to Audit Scotland and to KPMG LLP, SPT's appointed auditors.

6. Agency activities

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

Total Costs 2005/06 £000		Administration Recharge £000	Direct Service Payments £000	Total Costs 2006/07 £000
24,486	School Transport	1,413	25,375	26,788
657	Subsidised Bus Services outwith RTP Area	0	0	0
460	Bus Shelter Maintenance	75	566	641
1,002	Rural Transport	28	907	935
73,189	Strathclyde Concessionary Travel Scheme	177	4,345	4,522
99,794	**Year to 31 March 2007**	1,693	31,193	32,886
	Year to 31 March 2006	2,276	97,518	99,794

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

7. Information regarding directors and employees

2005/06 number		2006/07 number
740	Average numbers of persons employed, including Directors	710
£000	**Staff costs during the year, including Directors, amounted to:**	**£000**
17,768	Wages and Salaries	17,416
1,351	National Insurance Contributions	1,385
2,512	Other pension costs	2,783
21,631		21,584

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 were: 18 (2005/06: 13)

Number	Employees remuneration	Number
4	Salary Band 50,000-59,999	7
0	Salary Band 60,000-69,999	5
7	Salary Band 70,000-79,999	3
0	Salary Band 80,000-89,999	0
0	Salary Band 90,000-99,999	2
2	Salary Band 100,000-109,999	0
0	Salary Band 110,000-119,999	0
0	Salary Band 120,000-129,999	1

£000	Director's remuneration	£000
238	Emoluments	310
30	Pension Contributions	48
268		358

£000		£000
15	Pension contribution for highest paid Director	18
101	Highest paid Director's remuneration	123

8. 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	2006/07 income £000	2006/07 expenditure £000	Transaction
Central Government	8,829		Direct Funding Grant
	935		Rural Transport Grant
Strathclyde Pension Fund		2,529	Employer's Contribution Public Transport Funding
Unitary Authorities	33,853		
		32,886	School Transport Bus Shelter & Stops Maintenance Advertising Shelter Maintenance
Strathclyde Concessionary Travel Scheme	177		Administration Costs & Overheads

Central Government

Central 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 mentioned.

9. 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 Practise (BVACOP)
Service Expenditure Analysis Statement for the year ended 31 March 2007

Year to 31 March 2006 £000		Year to 31 March 2007 £000
27,445	**Highways, Roads & Transport Services**	**27,200**
7,990	Transport Planning, Policy & Strategy	7,149
19,455	Public Transport	20,051
1,993	**Central Services**	**1,020**
488	Corporate & Democratic Core	495
1,505	Non Distributed Costs	525
29,438	**NET COST OF SERVICES**	**28,220**
(61)	(Gain) / Loss on the disposal of fixed assets	(360)
7,142	Interest Payable and similar charges	6,718
(933)	Interest and Investment Income	(1,672)
(545)	Pensions interest cost and expected return on pension assets	(2,034)
35,041	**Net Operating Expenditure**	**30,872**
(32,668)	Funding received from constituent councils	(33,853)
(8,188)	Funding from Scottish Executive	(10,563)
(5,815)	**Surplus for the Year**	**(13,544)**

10. The Euro

The UK is one of the countries which has not joined in the first “wave” and the Treasury has announced that the UK will not join in the near future. The impact of the introduction of the Euro therefore on the Partnership will be limited to paying european suppliers in Euros and receiving some payments in Euros. The current banking arrangements will cope with both sets of circumstances as the bank will convert the Partnership’s sterling payments into Euros and will credit the Partnership’s bank account with the sterling equivalent of any Euro payments received.

11. Valuation of Fixed Assets

To comply with the SORP, SPT has started a rolling programme of asset revaluation. The revaluation exercise will focus on land and properties owned by SPT. To start the process assets were selected for revaluation that were likely to show the most significant increase over book value. Throughout 2007/08 all remaining land and properties will be revalued. The properties that were revalued as at 31 March 2007 were revalued by external independent valuers, James Barr.

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 on the following properties:

Shields Road Car Park provides parking facilities and retail units at Shields Road subway station. The retail units being in the character of investment properties are valued to Market Value. Recognising the specialised nature of the parking facilities the valuer has adopted a Depreciated Replacement Cost approach for this element.

Hamilton Bus Station provides bus parking facilities close to the main commercial centre of Hamilton. The facility has a number of bus stances, pedestrian walkways and roadways. The property is being held as an operational asset and is valued using a Depreciated Replacement Cost approach.

Hamilton Travel Centre comprises a shop/office unit a short distance from the bus station. It has been valued at Existing Use Value.

Land at High Street, Glasgow comprises an irregular shaped parcel. The property forms part of a former goods yard site, identified for redevelopment. The land has been classified as a non-operational asset and valued on the basis of underlying Market Value.

12. Movement in Intangible and Tangible Fixed Assets

	Operational Assets								Non-Operational Assets			
	Intangible Assets	Land and Buildings	Plant & Machinery	Rolling Stock	Infra-structure	Sundry Assets	3rd Party Rolling Stock	3rd Party Assets	Under Construc-tion	Invest-ments	Surplus Land	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost												
At 1 April 2006	30,110	41,852	2,559	20,965	40,097	10,538	0	0	0	0	0	146,121
Additions	598	1,550	141	1,228	1,405	913	0	15,157	9,814	0	0	30,806
Transfer from PTF/IA	(30,110)	3,359	0	9	0	0	27,343	0	2,767	0	0	3,368
Disposals	0	0	0	0	0	0	0	(15,157)	0	0	0	(15,157)
Revaluations	0	5,752	0	0	0	(82)	0	0	0	350	340	6,360
At 31 Mar 2007	598	52,513	2,700	22,202	41,502	11,369	27,343	0	12,581	350	340	171,498
Depreciation												
At 1 April 2006	0	21,836	1,848	15,474	21,111	8,044	0	0	0	0	0	68,313
Charge for year	0	1,764	170	675	1,990	1,278	1,550	0	0	0	0	7,427
Disposals	0	0	0	0	0	0	0	0	0	0	0	0
Revaluations	0	(287)	0	0	0	(17)	0	0	0	0	0	(304)
At 31 Mar 2007	0	23,313	2,018	16,149	23,101	9,305	1,550	0	0	0	0	75,436
Net Book Value												
At 31 Mar 2007	598	29,200	682	6,053	18,401	2,064	25,793	0	12,581	350	340	96,062
At 31 Mar 2006	30,110	20,014	712	5,491	18,986	2,494	0	0	0	0	0	77,807

Within the transfer from Passenger Transport Facilities (PTF's) / Intangible Assets (IA) figures above are movements between asset categories and also the transfer of PTF's assets into tangible assets.

Notes to the Financial Statements

13. Summary Capital Account

2005/06 £000		2006/07 £000
	Capital Project Classifications	
6,100	Subway Operations	4,311
1,551	Bus Operations	1,986
10	Ferry Operations	1
11,410	Policy, Strategy & Projects	24,008
644	Corporate	500
19,715		30,806

2005/06 £000		2006/07 £000
	Major Capital Projects	
155	Subway : Plant & Equipment	270
1,305	Subway : Rolling Stock	1,239
1,453	Subway : Signals & Telecoms	625
1,192	Subway : Stations	1,374
1,995	Subway : Tunnel & track	803
1,260	Bus: Passenger Information	1,695
291	Bus: Stations & Travel Centres	291
10	Ferry: Renfrew Ferry	1
3,260	Policy & Strategy and Major Projects	5,016
8	Policy & Strategy	4,937
130	Rail : Minor works/Station regeneration	523
7,979	Rail : New Station or Major refurbishment	12,516
33	Rail : Rolling Stock	16
0	Rail : CCTV	1,000
15	Corporate Refurbishment	41
27	Corporate Systems Improvements	0
602	Information Technology	459
19,715		30,806

14. Capital Funding

All capital expenditure during 2006/07 was grant funded. The table below shows the breakdown of the grant funding.

2005/06 £000		2006/07 £000
11,296	Scottish Executive – S70 General	23,890
8,419	Scottish Executive – S70 Specific	3,301
	Transport Scotland	3,038
-	European Commission / Department of Transport	577
19,715	**Total**	**30,806**

15. Capital Receipts

Capital receipts for the year amounted to £0.646 million and this amount has been transferred in full to the Capital Receipts Reserve.

16. Commitments under capital contracts

At 31 March 2007, commitments under contracts for capital expenditure amounted to £9.064 million.

Service	Outstanding commitment as at 31/03/2007 £000	Contract completion
Policy, Strategy & Projects	8,678	Various
Subway Operations	386	Various
Total	**9,064**	

17. Stocks

2005/06 £000		2006/07 £000
1,017	Consumables and repair and maintenance stocks	806
49	Miscellaneous	53
1,066	**Total**	859

Following a review of stock in 2006/07 stock value was adjusted with a write down of £0.354 million. This write down consisted of Subway rolling stock of £0.187 million, repairable spares of £0.102 million and the write off of various Subway stock of £0.065 million.

18. Debtors

2005/06 £000		2006/07 £000
2,526	Trade debtors	3,966
9,637	Grant Claims	12,573
1,317	Other debtors	838
526	Amounts due from Strathclyde Concessionary Travel Scheme	879
6,146	Prepayments and accrued income	2,025
20,152	**Total**	20,281

19. Creditors – amounts due within one year

2005/06 £000		2006/07 £000
0	Bank overdraft	2,101
4,051	Trade creditors	2,668
8,472	Other creditors and accruals	12,077
2,254	Taxation and social security	434
14,777	**Total**	17,280

20. Loans

2005/06 £000		2006/07 £000
	Loans repayable:	
10,237	Within one year or on demand	13,109
9,109	Between one and two years	8,699
24,317	Between two and five years	24,292
40,148	Between five and ten years	28,946
20,464	After ten years	14,727
94,038		76,664
104,275	**Total**	89,774

An additional repayment of £4.265 million was made in 2006/07 to reduce the Subway debt outstanding.

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 40 years and the average rate of interest is 6.4%.

21. Deferred grants

	Balance 1 April 2006 £000	Amounts received 2006/07 £000	Amounts released 2006/07 £000	Balance 31 March 2007 £000
Deferred Grant				
Subway	17,056	4,348	(1,539)	19,865
Other	2,537	4,260	(1,356)	5,441
Assets under construction	0	12,581	0	12,581
	19,593	21,189	(2,895)	37,887

22. Pensions

Disclosure of information relating to Pensions is achieved by reporting under 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.

The last full valuation of the fund was carried out by an independent actuary on 31 March 2005. However, FRS 17 requires that complying entities are required to take a valuation based on the market conditions at a point in time, and in this case 31 March 2007 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 employers 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.

FRS 17

The assets in this Scheme and the expected rates of return at 31 March 2007 are set out below. The Net Pension Liability as at 31 March 2007, using FRS 17 valuation is estimated at £3.844 million.

Balance Sheet Disclosure as at 31 March 2007	**31 March 2007 % per annum**	**31 March 2006 % per annum**	**31 March 2005 % per annum**
Assumptions as at			
Price Increases	3.2%	3.1%	2.9%
Salary Increases	4.7%	4.6%	4.4%
Pension Increases	3.2%	3.1%	2.9%
Discount Rate	5.4%	4.9%	5.4%

Assets (Employer Share)	**Long Term Return % per annum 31 March 2007**	**Assets at 31 March 2007 £000**	**Long Term Return % per annum 31 March 2006**	**Assets at 31 March 2006 £000**	**Long Term Return % per annum 31 March 2005**	**Assets at 31 March 2005 £000**
Equities	7.8%	106,493	7.4%	106,671	7.7%	82,936
Bonds	4.9%	17,789	4.6%	14,407	4.8%	15,003
Property	5.8%	14,470	5.5%	12,747	5.7%	10,749
Cash	4.9%	6,352	4.6%	6,464	4.8%	3,567
Total	**7.1%**	**145,104**	**6.8%**	**140,289**	**7.0%**	**112,255**

Net Pensions Assets as at	**31 March 2007 £000**	**31 March 2006 £000**	**31 March 2005 £000**
Estimated Employer Assets (A)	**145,104**	**140,289**	**112,255**
Present Value of Scheme Liabilities	(140,627)	(146,995)	(134,121)
Present Value of Unfunded Liabilities	(8,321)	(8,477)	(8,436)
Total Value of Liabilities (B)	**(148,948)**	**(155,472)**	**(142,557)**
Net Pension Asset / (Liability) (A) - (B)	**(3,844)**	**(15,183)**	**(30,302)**

22. Pensions (contd)

Illustrated below is the income and expenditure account costs for the year ended 31 March 2007, along with analysis of the amount recognised in the Statement of Total Recognised gains and losses.

Analysis of amount recognised in Statement of Total Recognised Gains and Loses (STRGL)	**Year to 31 March 2007 £000**	**Year to 31 March 2006 £000**
Actual return less expected return on pension scheme assets	114	22,480
Experience gains and losses arising on the scheme liabilities	769	6,953
Changes in financial assumptions underlying the present value of the scheme liabilities	8,787	(14,628)
Actuarial gain in pension plan	**9,670**	**14,805**
Increase / (decrease) in irrecoverable surplus from membership fall and other factors	0	0
Actuarial gain recognised in STRGL	**9,670**	**14,805**

The following table shows the movement between the opening and closing position in the year:

Movement in Surplus/Deficit during the year	**Year to 31 March 2007 £000**	**Year to 31 March 2006 £000**	**Year to 31 March 2005 £000**
(Deficit) at the beginning of the Year	**(15,183)**	**(30,302)**	**(31,309)**
Current Service Costs	(3,633)	(3,356)	(3,073)
Employer Contribution	2,371	2,448	2,082
Contributions in respect of Unfunded benefits	748	677	712
Past Service Costs	149	0	(24)
Net Return On Assets	2,034	545	(153)
Actuarial gains/(losses)	9,670	14,805	1,463
Deficit at end of year	**(3,844)**	**(15,183)**	**(30,302)**

The following table shows a History of Experience Gains and Losses for the year:

History of Experience Gains and Losses	**Year to 31 March 2007 £000**	**Year to 31 March 2006 £000**	**Year to 31 March 2005 £000**	**Year to 31 March 2004 £000**
Difference between expected & actual return on assets	114	22,480	3,761	14,646
Value of Assets	145,104	140,289	112,255	99,107
Percentage of Assets	**0.08%**	**16.0%**	**3.4%**	**14.8%**
Experience Gains/(Losses) on Liabilities	769	6,953	(304)	994
Total Present Value of Liabilities	148,948	155,472	142,557	130,416
Percentage of the Total Present Value of Liabilities	**0.5%**	**4.5%**	**(0.2%)**	**0.8%**
Actuarial Gains/Losses Recognised in STRGL	9,670	14,805	1,463	10,231
Total Present Value of Liabilities	148,948	155,472	142,557	130,416
Percentage of Total Present Value of Liabilities	**6.5%**	**9.5%**	**1.0%**	**7.8%**

23.Provision for liabilities and charges

The Partnership receives a number of claims from third parties. These claims are administered by the Partnership's legal department and 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 2006	58	53	11	11	133
Movements during the year					
Additional Provisions	88	69	6	1	164
Amounts used during year	(22)	(40)			(62)
Unused amounts reversed during year	(10)	(6)		(1)	(17)
Balance as at 31 March 2007	114	76	17	11	218

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. The total amount paid during the year was £0.064 million. (2005/06: £0.133 million).

24. Government Grants – Deferred Account

The Government Grants – Deferred Account represents funding for capital projects, which is written off in line with the depreciation and amortisation of assets each year. As can be seen below £29.339 million of capital grant was claimed during the year, £15.052 million was transferred to specific deferred grant accounts to offset depreciation in future years and £18.627 million was used to write off intangible assets and facilitate the transfer of some projects to Assets Under Construction.

	£000	£000
Balance as at 1 April 2006		17,851
Amounts received in 2006/07	29,399	
Transfer to Tangible Fixed Asset Deferred Grant Account	(15,052)	
Intangible Assets written off to Revenue/Assets under Construction	(18,627)	
		(4,280)
Balance as at 31 March 2007		13,571

25. Contingent Liabilities

Contingent Liabilities relate to events in the capital and revenue programmes which occurred in the financial year but uncertainty remains as to whether SPT will have a financial obligation. These are kept under review. Last financial year provision was made for contingent liabilities of £2.502 million, but there is no indication of potential liabilities for the current financial year.

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 2006 £000s	Net Movement in Year £000s	Balance 31 March 2007 £000s	Purpose of Reserve	Further detail of movements
Capital Financing Account	(64,595)	10,669	(53,926)	Represents movement in the funding of assets arising from capital resources	See note (a) below
Capital Receipts Reserve	688	646	1,334	Resources available to meet future capital investment	See note (b) below
Pensions Reserve	(15,183)	11,339	(3,844)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet	See note 22 to the Financial Statements
General Fund	18,797	0	18,797	Resources available to meet future revenue costs for SPT services	Statement of Movement in General Fund Balance, page 16
Fixed Asset Restatement Account	0	6,664	6,664	Store of gains/losses on revaluation of fixed assets	See note (c) below
	(60,293)	29,318	(30,975)		

	£000	£000
Note (a): Capital Financing Account		
Balance as at 1 April 2006		(64,595)
Appropriations:		
Principal Repayments	14,500	
Less Depreciation on Fixed Assets	(7,428)	
Add Capital Grant Applied	3,597	
		10,669
Balance as at 31 March 2007		(53,926)
Note (b): Capital Receipts Reserve		
Balance as at 1 April 2006		688
Amounts received in 2006/07		646
Balance as at 31 March 2007		1,334
Note (c): Fixed Asset Restatement Account		
Balance as at 1 April 2006		0
Amounts received in 2006/07		6,664
Balance as at 31 March 2007		6,664

Statement of System of Internal Financial Controls

Section 95 of the local Government 9 Scotland Act 1973 places responsibility for the proper administration of Strathclyde Partnership for Transport's (SPT) 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 2006/07 accounts for SPT. 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;
- guidance relating to financial processes, procedures and regulations.

Internal audit is an independent appraisal function established by the Executive Team and 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 Executive Team, Management Team, Secretary and the Audit & Standards Committee , as well as other officers.

The effectiveness of internal financial controls is informed by officers throughout SPT 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 2006/07, with no identified material weaknesses, and will be improved through implementation of the recommended actions from internal and external audit reports, best value improvement plans and continuous corporate business planning.

Statement of System of Internal Financial Controls

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

Valerie Davidson
Assistant Chief Executive (Business Support)
28 September 2007

Independent auditors' report to the members of Strathclyde Partnership for Transport and the Accounts Commission for Scotland.

We certify that we have audited the financial statements of Strathclyde Partnership for Transport for the year ended 31 March 2007 under Part VII of the Local Government (Scotland) Act 1973. These compromise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the Cash Flow Statement and the related notes. 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 to 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Accounts Commission for Scotland, for our audit work, for this report, or 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 the applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2006 – A Statement of Recommended Practice ("the 2006 SORP") are set out in the Statement of Responsibilities.

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.

We report our opinion as to whether the financial statements present fairly the financial position of the Partnership in accordance with applicable laws and regulations and the 2006 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. We also report if, in our opinion, the Financial Statement by the Assistant Chief Executive (Business Support) is not consistent with the financial statements, if 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 of System of Internal Financial Control reflects the Partnership's compliance with the SORP. We report if, in our opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statements cover all risks and controls. Neither are we required to form an opinion on the effectiveness of the Partnership's corporate governance procedures or its risk and control procedures.

We read the information published within 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.

Independent auditors report

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 Accounting Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. An 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 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 present fairly, in accordance with applicable laws and regulations and the 2006 SORP, the financial position of the Partnership as at 31 March 2007 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

191 West George Street
Glasgow
G2 2LJ

28 September 2007