

**Strathclyde Concessionary Travel  
Scheme Joint Committee  
Annual Accounts for the year  
ended 31 March 2021**

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# Members of the Joint Committee

## Members of the Joint Committee as at 31 March 2021

### Member

**Councillor Graham Hardie**

**Councillor Jim Roberts**

**Councillor Alan Moir**

**Councillor Alan Lafferty**

**Councillor Malcolm Balfour**

**Councillor Martin Bartos**

**Councillor David Wilson**

**Councillor Donald Reid**

**Councillor Michael McPake**

**Councillor Cathy McEwan**

**Councillor Ian Cochrane**

**Councillor David Shearer**

**Councillor Marie McNair**

### Representing

Argyll & Bute Council

East Ayrshire Council

East Dunbartonshire Council

East Renfrewshire Council

Glasgow City Council

Glasgow City Council

Inverclyde Council

North Ayrshire Council

North Lanarkshire Council

Renfrewshire Council

South Ayrshire Council

South Lanarkshire Council

West Dunbartonshire Council

The Joint Committee consists of 13 Elected Members representing the 12 constituent unitary authorities in the west of Scotland, together with the Chair of Strathclyde Partnership for Transport. The Joint Committee met on 2 occasions during 2020/21.

### Secretary / Treasurer

**Valerie Davidson**

Strathclyde Partnership for Transport

131 St. Vincent Street

Glasgow

G2 5JF

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Any correspondence for the Strathclyde Concessionary Travel Scheme should be sent to the address above.

# Management Commentary

## Introduction

This management commentary puts the annual accounts into context of what the Joint Committee is aiming to achieve, how we manage the risks and challenges and what the future holds.

## About Strathclyde Concessionary Travel Joint Committee

SCTS covers the 12 councils within the designated Strathclyde Partnership for Transport area, and all councils are represented on the Joint Committee plus the chair of Strathclyde Partnership for Transport. The cost of the Scheme is 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 ("the scheme") offers reduced fares on ScotRail services, which start and finish within the Scheme's boundaries, on Glasgow's Subway and 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 plus 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 also available to permanent residents of one of the islands covered by the scheme or where residents live on the Cowal or Rosneath peninsulas.

A National Concessionary Travel Scheme for Bus was introduced on 1 April 2006. As a result, all bus concession travel became a matter for Transport Scotland with effect from that date with railway, subway and ferry within the designated Scheme area remaining a matter for the Joint Committee.

From 2009/10 onwards, a programme of changes was implemented to ensure the sustainability of the scheme in the longer term (see Table 1). This began with changes to fares being amongst a range of measures which were approved by the Joint Committee on 11 December 2009 and implemented in 2010/11. A further fare increase was implemented in 2011/12 and amendments to the operator reimbursement factors and the introduction of a rail evening peak restriction were implemented in 2012/13. These measures were successful in controlling Scheme costs over those years.

In 2017/18, there were changes made for the first time in four years, as the Joint Committee agreed to increase the basic concessionary fare on all modes by 10p on a single and 10p on a return, making the single standard fare £1.00 and the return fare £1.40. Rail journeys greater than 10 track miles are charged at 50% of the standard rail fare. Ferry fares for journeys greater than 10 nautical miles were capped at £2.00 for a single and £2.80 for a return. Further changes were made in 2018/19 with standard return journey fares increasing to £1.50 and the return journey fare for Ferry over 10 nautical miles increasing to £2.90.

No further changes were made for 2020/21 pending a major review of the Scheme. However, the Joint Committee was advised in September 2019 that the requisition from constituent authorities was no longer sufficient to cover operator payments and that it was estimated that a maximum of two years reserves were now held. Subsequently the Joint Committee agreed significant fares increases for 2020/21 to help sustain the Scheme whilst the major review of the Scheme is undertaken. However, the impact of the COVID-19 pandemic in 2020/21 significantly changed the position in the short term with patronage and scheme costs reducing massively leading to the suspension of the planned fares increases.

**Table 1** Programme of Changes to the Scheme

|                |   |
|----------------|---|
| <b>2010-11</b> | <ul style="list-style-type: none"> <li>▪ Increased the basic concessionary fare on rail and Subway by a maximum of 20p.</li> <li>▪ Re-introduced a basic concessionary fare on ferry services included within SCTS.</li> <li>▪ Introduced a price differential between single and return basic concessionary fare i.e. single 60p and return £1.00.</li> </ul>                                |
| <b>2011-12</b> | <ul style="list-style-type: none"> <li>▪ Increased the basic concessionary fare from 60p single and £1.00 return to 80p single and £1.20 return.</li> <li>▪ Re-introduced a 10-mile basic concession fare boundary for ferry services.</li> <li>▪ Re-introduced a cap on concessionary ferry fares for services to designated rural areas beyond 10 miles at 2 x basic concession.</li> </ul> |
| <b>2012-13</b> | <ul style="list-style-type: none"> <li>▪ Updated operator reimbursement calculations.</li> <li>▪ Introduced an evening-peak restriction on rail travel [between 16:30 and 18:30 hrs.]</li> <li>▪ Basic concessionary fare maintained at 80p single and £1.20 return.</li> </ul>   |
| <b>2013-14</b> | <ul style="list-style-type: none"> <li>▪ Basic concessionary fare increased to 90p single and £1.30 return.</li> </ul>  |
| <b>2014-15</b> | <ul style="list-style-type: none"> <li>▪ Basic concessionary fare maintained at 90p single and £1.30 return.</li> </ul>   |
| <b>2015-16</b> | <ul style="list-style-type: none"> <li>▪ Basic concessionary fare maintained at 90p single and £1.30 return.</li> </ul>   |
| <b>2016-17</b> | <ul style="list-style-type: none"> <li>▪ Basic concessionary fare maintained at 90p single and £1.30 return.</li> </ul>   |
| <b>2017-18</b> | <ul style="list-style-type: none"> <li>▪ Basic concessionary fare increased to £1.00 single and £1.40 return.</li> </ul>  |
| <b>2018-19</b> | <ul style="list-style-type: none"> <li>▪ Basic concessionary return fare increased to £1.50. No change to single fare.</li> </ul>   |
| <b>2019-20</b> | <ul style="list-style-type: none"> <li>▪ Basic concessionary fare maintained at £1.00 single and £1.50 return.</li> </ul>   |
| <b>2020-21</b> | <ul style="list-style-type: none"> <li>▪ Approval by Joint Committee to increase the basic single and return fares by 50p. (Update: cancelled due to the impacts of the ongoing Covid-19 pandemic).</li> </ul>  |

## Our Priorities

The Joint Committee seeks to ensure the long-term financial sustainability of the scheme whilst maintaining benefits to users. This includes maintaining the scheme at levels affordable to the funding local authorities and utilising reserves in support of the scheme. This remains the case during and after the current pandemic.

## Performance Reporting

The Joint Committee monitors its performance regularly and reports on its performance to its members through the Joint Committee meetings. All reports are available to the public and can be found at:

[spt.co.uk/corporate/about/minutes-agendas/sctj-committee/](https://spt.co.uk/corporate/about/minutes-agendas/sctj-committee/)

## Treasury Management

SPT manages all treasury management matters on behalf of the Joint Committee. SPT has adopted in full the CIPFA Code of Practice on Treasury Management including the creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of SPT's treasury management activities. SPT publishes an annual Treasury Management Strategy for the year ahead and annual Treasury Management Report for the year past, including a commentary on compliance. The 2020/21 Treasury Management Strategy can be found at:

[spt.co.uk/documents/latest/SPTP080319\\_Agenda7.pdf](https://spt.co.uk/documents/latest/SPTP080319_Agenda7.pdf)

## Management of Risk

All financial and operational risks are reviewed throughout the year and are reported to the Joint Committee within the regular scheme costs reviews and as part of the annual revenue budget approval reports. All reports are available to the public and can be found at:

[spt.co.uk/corporate/about/minutes-agendas/sctj-committee/](https://spt.co.uk/corporate/about/minutes-agendas/sctj-committee/)

## Preparation of the Annual Accounts

The financial statements demonstrate SCTS sound stewardship of the public funds it controls and manages. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 which is based upon International Financial Reporting Standards (IFRS). Therefore, the Code, which remains the authoritative source of accounting standards for local authorities (and related bodies) across the UK, is based upon internationally common accounting standards.

## Review of Performance

SCTS's comprehensive income and expenditure statement for the year ended 31 March 2021 is shown on page 16.

The agreed budget for 2020/21 was £4.175 million (£4.573 million, 2019/20). Funding contributions from the 12 participating councils were agreed at £4.039 million (the same as 2019/20) with £0.137 million funding required from reserves.

Payments to operators in the year amounted to £0.964 million (£4.328 million, 2019/20). The final outturn inclusive of all costs is £1.306 million (£4.582 million, 2019/20) which is £2.869 million less than the original 2020/21 budget. The underspend is entirely due to a significant decrease in payments to operators, which are driven by the vastly reduced number of journeys made as a result of COVID-19 which included two lockdowns during the financial year 2020/21 when travel restrictions were in place. In total there were 1.008 million journeys in 2020/21 (5.093 million, 2019/20). This had a material impact on patronage and operator reimbursement in 2020/21 which in turn resulted in an increase in reserves.

## Balance Sheet

The Balance Sheet is shown on page 17 and provides details of SCTS's assets and liabilities as at 31 March 2021.

## Cash Flow Statement

The Cash Flow Statement and the accompanying notes on page 18 summarise the inflows and outflows of cash arising from transactions with third parties for revenue purposes during the year.

## **Movement in Reserves Statement**

The Movement in Reserves Statement reported on page 19 shows the general reserves held by the SCTS as at 31 March 2021. The Joint Committee has in recent years implemented a policy of reducing the level of balances held to a level more commensurate with the local Scheme costs. This action has been taken by the Joint Committee following consultation with the funding bodies.

However in light of reduced patronage and operator reimbursement in 2020/21 as a result of COVID-19, £2.733 million was added to reserves. Reserves are necessary to ensure the longer term viability and sustainability of the Scheme at a time of uncertainty, with regard to potential reduced funding from member local authorities, anticipated fare increases and levels of demand for travel. All of which has been brought further into focus due to the ongoing Covid pandemic.

The scheme continues to experience longer term financial pressures, however due to the ongoing Covid pandemic, passenger numbers and reimbursement to operators are substantially below what was budgeted for 2020/21. The increase in reserves in 2020/21 allows the Scheme to potentially navigate its way out of the pandemic with greater financial stability in the short term as it makes decisions regarding the long-term viability and sustainability of the Scheme in line with recommendations approved at the 12 March Joint Committee.

## **Look Ahead**

As noted, the Scheme in its current format is not sustainable in the long-term without an increase in funding from local authority partners or significant operational amendments to the scheme structure or fares applicable. A root and branch review of the scheme was completed in 2020/21, taking cognisance of the ongoing COVID-19 pandemic. Two key recommendations were agreed by the Joint Committee namely that the Scheme implement fare increases in 2021/22 followed by the introduction of a simplified 'half-fares' structure with capped fares applying to ferry routes and to existing rail 'rural zones'. The use of half fares would simplify the Scheme, would reduce the level of reimbursement and would increase the longer-term financial sustainability of the Scheme considerably.

This remains the agreed strategy of the Joint Committee to obtain long-term financial sustainability. The specific implementation dates will be influenced by the timing and nature of the recovery of public transport and Scheme patronage in 2021/22.

## **Membership of the Joint Committee**

Details of representation on the Joint Committee at 31 March 2021 are shown on page 2.

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

**Valerie Davidson**

Secretary / Treasurer

XX XXXX 2021

# Statement of Responsibilities

## 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; and
- Ensure the Annual Accounts are prepared in accordance with legislation (the Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government Scotland Act 2003); and
- Approve the Annual Accounts for signature.

## 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 2020/21 ("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.

**I certify that the Annual Accounts have been approved for signature by the Partnership at its meeting on XX XXXX 2021.**

**I certify that the Annual Accounts give a true and fair view of the financial position of the Scheme at the reporting date and the transactions of the Joint Committee for the year ended 31 March 2021.**



**Valerie Davidson**

Treasurer

4 June 2021



# Annual Governance Statement and Statement of Financial Control

## Scope of the Governance Framework

Although Strathclyde Concessionary Travel Scheme (SCTS) Joint Committee 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 and internal financial control arrangements that govern SCTS are also that of SPT.

Strathclyde Partnership for Transport (SPT) has established governance arrangements that are consistent with the seven principles for good governance outlined in the *'Delivering good governance in local government: Framework 2016'* published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

SPT is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically and efficiently. There is also a duty under the Local Government (Scotland) Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

SPT is also responsible for establishing proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and is focused on meeting key strategic and business objectives and that benefits are realised. It was important to SPT that every effort was made to maintain the highest standards of governance during the public health emergency throughout 2020/2021, which resulted in significant changes to working arrangements to ensure compliance with the government restrictions.

## The Purpose of the Governance Framework

The purpose of *Delivering good governance in local government: Framework 2016* (the Framework) is to encourage better service delivery and improved accountability by establishing a benchmark for aspects of good governance in the public sector.

The governance framework comprises the behaviours, values, practices and systems by which the Partnership is directed and controlled and engages with the community. It enables the Partnership to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective outcomes.

The quality of governance arrangements underpins the level of trust in public services and is therefore a fundamental building block upon which SPT can build its promise to customers. Trust in public services is also influenced by the quality of services received, regardless of who is responsible for delivering them, and also by how open and honest an organisation is about its performance.

Good governance, and a framework (Local Code of Corporate Governance) for the implementation of good governance allows SPT to be clear about its approach to discharging its responsibilities as outlined above and to promote this widely both internally, to employees and members, and externally to partners, stakeholders and most importantly the travelling public of the west of Scotland.

The Local Code of Corporate Governance has been populated with evidence of compliance to support each of the seven principles. The arrangements required for gathering information for the preparation of the Annual Governance Statement provide an opportunity for SPT to consider the robustness of the governance arrangements and to consider this as a corporate issue that affects all parts of the organisation. It also helps to highlight current arrangements and arrangements which will be subject to review in the forthcoming year.

## The Governance Framework

### **Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**

SPT has well established standing orders and terms of reference that regulate the operation of the Partnership and committee meetings. These standing orders are supported by a scheme of delegated functions, standing orders relating to contracts, the code of corporate governance and financial regulations with clear delegation arrangements and protocols for decision making and communication, and codes of conduct defining the standards of behaviour for employees and members. Guidance to support this principle is contained within SPT's governance manual.



SPT management have a designated role profile and these profiles are easily accessible for employees via the intranet and are structured to provide clear responsibility and accountability at both strategic and operational levels.

These arrangements are supplemented by HR policy and guidance. Specifically during 2020/2021, *A Public Sector Equality Duty 2021* report and *Advancing Equality 2021* document were presented to and approved by the Partnership at its meeting of 12 March 2021.

### **Principle B: Ensuring openness and comprehensive stakeholder engagement.**

SPT is clear about the leadership responsibilities for services, whether provided directly, through partners or by third parties. We will work closely with partners and stakeholders to make sure they deliver to agreed levels of quality and are accountable for what they do. SPT has a clear commitment to ensure services deliver the most appropriate combination of quality, value and choice to all.

SPT is a committed community planning partner and we work in partnership to deliver local and national outcomes and to ensure we make a positive contribution to the Single Outcome Agreement and locality plans in each of our constituent council areas.

Each year we produce a Transport Outcome Report (TOR), which shows how our activities contribute to Single Outcome Agreements and SPT provide a summary of service delivery and local outcomes in each council area.

SPT interacts and engages with stakeholders and publishes annual reports, financial statements, service performance information and the results of customer surveys. In addition, communications are maintained through the local and national press, our website, staff intranet pages and officer and/or member representation at public meetings.

SPT remains committed to developing systems to allow stakeholders to engage electronically. Contact can be made through the website and social media.

Meetings of the Partnership and its committees and the Strathclyde Concessionary Travel Scheme Joint Committee are open to the public, even through the government restrictions, by virtual means, and agendas, papers and minutes are published on our website in accordance with the Publication scheme.

An update on the development of a new Regional Transport Strategy and a *Case for Change* consultation was presented to and noted by the Partnership at its meeting of 12 March 2021.

### **Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits.**

The Annual Statement on Sustainable Economic Growth sets out the steps that SPT has taken in 2020/2021 to promote and increase sustainable growth through the exercise of its functions.

The Regional Transport Strategy has a strong focus on the specific services, initiatives and projects which SPT seeks to deliver. The Regional Transport Strategy is integral to SPT's business planning processes which reflect current social, environmental and economic circumstances at local, regional and national levels.

The Strathclyde Partnership for Transport Annual Report 2019/2020 was presented to and approved by the Partnership at its meeting of 26 June 2020 and shared widely with all stakeholders.

### **Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.**

The Partnership and committees receive regular and comprehensive reports on SPT service delivery and outcomes.

The decision making and scrutiny framework within SPT encompasses self-evaluation as well as internal and external inspection.

The SPT strategy group and senior management receive advice and guidance from officer led groups responsible for the consideration of, for example, environmental sustainability, Digital transformation, and health and safety to drive and direct the decision making process. This advice is supplemented by external support provided by specialist professionals and services, where appropriate. During 2020/2021, this included the presentation of the *Annual Safety Performance report 2019/2020* to the Personnel committee at its meeting of 21 August 2020.

**Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

This principle is about enabling members and officers to develop and enhance their knowledge and skills to allow them to effectively fulfil their roles and responsibilities.

A programme of training has been put in place for all members to remain well versed in their role and the role of the committee(s).

SPT has adopted a corporate induction process, delivered by Human Resources (HR). All new employees are required to undertake this induction. This arrangement is supplemented by local induction which is delivered by the appropriate department.

SPT remains committed to developing its workforce through the provision of a learning and development scheme for employees, to ensure that training and development needs are documented and managed in a structured and planned way.

The Partnership at its meeting of 12 March 2021 welcomed to the Partnership Board 4 newly appointed members, and the re-appointment of 2 current members. In support of all members, the Partnership also confirmed a revised deployment of member training and conference attendance which took account of the current restrictions and recognised the need for business efficiency balanced with robust and open approval processes.

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

The Partnership's Standing Orders, Committee Terms of Reference, Scheme of Delegated Functions and Financial Regulations outline the roles and responsibilities for the monitoring and reporting of financial and risk management arrangements.

All reports presented to the Partnership/Committee require an assessment of financial and risk consequences to be detailed to support the decision making process.

The Partnership has an effective budget setting process which demonstrates an understanding of its costs, priorities and risks which is directly linked to outcomes.

The financial position is continually monitored throughout the year by the Strategy and Programmes committee.

The annual accounts demonstrate SPT's sound stewardship of the public funds it controls and manages. The annual accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom which is based upon International Financial Reporting Standards (IFRS). Therefore the Code, which remains the authoritative accounting standard for local authorities (and related bodies) across the UK, is based upon internationally common accounting practices.

In accordance with the Scottish Government's *Strategic Framework for a Cyber Resilient Scotland and Public Sector Action Plan*, SPT has:

- senior management commitment and governance arrangements in place;
- cyber security information sharing partnership (CiSP) membership;
- appropriate use of Active Cyber Defence measures;
- appropriate training and awareness raising processes and workplace learning against cyber threats;
- cyber incident response protocols, aligned with central mechanisms.

An initial progress report on SPT's implementation of the Scottish Public Sector Cyber Resilience Framework was presented to and noted by the Audit & Standards committee at its meeting of 28 August 2020.

A second update report on SPT's implementation of the Scottish Public Sector Cyber Resilience Framework was presented to and noted by the Audit & Standards committee at its meeting of 19 February 2021.

A report on progress of the review of the Strathclyde Concessionary Travel Scheme and the introduction of a new Strathclyde Concessionary Travel Scheme fares structure was presented to and approved by the Strathclyde Concessionary Travel Scheme Joint Committee at its meeting of 12 March 2021.

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

Stakeholders and other interested parties can easily access information on SPT, its performance and outcomes (e.g. Annual statement on sustainable economic growth and Public Services Reform (Scotland) Act 2010 statements) from the website.

The website provides clear information on the services that SPT delivers and its responsibilities to the community and the travelling public of the west of Scotland.

Stakeholders can communicate with SPT using a range of available channels including social media. SPT has a Facebook and Twitter accounts.

The Audit and Standards committee meet on a regular basis and has clear terms of reference.

An Audit & Standards committee annual report 2019/2020 was presented to and noted by the Partnership at its meeting of 26 June 2020.

In addition, the Audit & Standards committee also prepared and approved a work plan for 2021/2022 at its meeting of 19 February 2021.

### **Monitoring and Review of Governance Arrangements**

SPT's governance arrangements are formally monitored via:

- the Partnership's established committee framework, including the Audit and Standards committee;
- Strategy Group and senior management;
- internal and external audit work; and
- review(s) of the local code of corporate governance arrangements which inform this statement.

Review of governance arrangements are undertaken within the context of the Regional Transport Strategy, Community Planning, and our strategic objectives.

### **Statutory Role**

Section 95 of the Local Government (Scotland) Act 1973 places responsibility for the proper administration of SPT's financial affairs upon the proper officer of the Partnership. In SPT, the Assistant Chief Executive is the responsible officer and is a member of the SPT Strategy Group.

This arrangement is in accordance with good practice, as prescribed in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. Officer responsibilities are set out in SPT's Scheme of Delegated Functions and Financial Regulations which confirm that the Assistant Chief Executive shall be responsible for the financial affairs of the Partnership and act as adviser to the Partnership and all committees.

### **System of Internal Financial Control**

This section of the Annual Governance Statement relates to the system of internal financial control of SPT. It incorporates a level of assurance on the systems of internal financial control.

This statement applies to the 2020/2021 annual 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 regulations, policies, processes, administrative and authorisation procedures and controls, management supervision and a system of delegated authority and accountability.

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

- comprehensive capital and revenue budgeting systems integrated with service planning;
- a regime for regular reporting to the Partnership and committees of periodic and annual 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, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Audit and Assurance function provides Internal Audit services to the Partnership in conformance with the Public Sector Internal Audit Standards (PSIAS). All engagements are completed in conformance with these standards and the Internal Audit Charter. The Audit and Assurance team completed an annual programme of work approved by the Audit and Standards committee based on a risk-based internal audit plan. The plan was reviewed throughout the year to reflect evolving risks and changes within the organisation.

Internal Audit reports identifying areas for improvement 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 recommendations. Reports are subsequently monitored by the section 95 officer, the Strategy Group and the Audit and Standards committee.

The effectiveness of internal financial controls is informed by officers throughout SPT and the Audit and Standards committee (as the 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 2020/2021 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.

SPT is committed to ensuring that governance and internal financial control arrangements are robust, proportionate, and in line with good practice.

SPT has established a culture of continuous improvement, and is thorough in addressing issues that emerge either through self-assessment, business improvement processes or as part of the external scrutiny process.

### **Governance arrangements under Coronavirus (Covid-19) pandemic**

On 23 March 2020, the UK government imposed a national lockdown requiring everyone to stay-at-home apart for limited reasons with social distancing measures introduced. These measures were eased for a period in 2020, and then re-imposed in late 2020 through to the end of the 2020/2021 financial year.

SPT has continued to operate the Glasgow Subway and provide bus services for key workers to commute to and from their workplace.

During 2020/2021, SPT business has continued to be conducted in line with Government (Coronavirus) legislation; Partnership approved procedures and standing orders, scheme of delegated functions and financial regulations.

A Chairs committee (Chair and Vice-chairs of the Partnership and the Chair of the Audit & Standards committee) met regularly during the initial lockdown period (April and May 2020) to note business continuity arrangements and approve the award of contracts.

From June 2020, SPT has held a full committee cycle for all members. Meetings have been held via video conferencing.

**Valerie Davidson**

Secretary / Treasurer

XX XXXX 2021

# Accounting Policies

## General Principles

The annual accounts for the year ended 31 March 2021 have been compiled on the basis of recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code). The Code is based on International Financial Reporting Standards (IFRS) with interpretation appropriate to the public sector. The statements are designed to give a 'true and fair view' of the financial performance and position of SCTS for 2020/21.

The accounting concepts of 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements' have been considered in the application of accounting policies. In this regard the materiality concept means that information is included where the information is of such significance as to justify its inclusion. The accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received. The going concern concept assumes that SCTS will not significantly curtail the scale of its operation. Wherever accounting principles and legislative requirements are in conflict the latter shall apply.

The accounting convention adopted in the annual accounts is principally historical cost.

### 1. Basis of Preparation

The accruals concept requires the non-cash effects of transactions to be reflected in the annual accounts 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 2021 have been matched and accounted for in the period to which they relate. Government grants and other contributions are accounted for on an accruals basis and are recognised as income when the conditions of entitlement have been satisfied and there is reasonable assurance that the monies will be received.

- **Revenue expenditure and creditors**

Sundry creditors are accrued on the basis of payments made following 31 March 2021 relating to goods or services received in the year together with specific accruals in respect of further material items.

### 2. 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 operator's claims or if under negotiation at the latest negotiated figure. The operators claim includes compensation to operators for lost fares as permitted under the current Strathclyde Concessionary Travel Scheme.

### 3. Corporate 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 who are involved full time in administering the National Entitlement Card and the local scheme, including employer on-costs such as National Insurance and employer pension contributions;
- general support staff who are charged on the basis of estimated time spent on the Scheme's activities, including employer on-costs; and
- an allowance for the Partnership overheads. These overheads are allocated based on staff numbers and include property costs, printing and stationery, supplies and services and audit costs charged to the Partnership.



#### **4. Retirement Benefits**

In accordance with IAS19, 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 annual accounts of Strathclyde Partnership for Transport.

#### **5. Investments**

Temporary surplus cash balances are invested with UK banks. An investment return is earned on these investments and is shown in the Comprehensive Income and Expenditure Statement as interest received.

#### **6. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition or balance sheet date and that are readily convertible to known amounts of cash with insignificant risk of change in value. Bank balances are included in the balance sheet at the closing balance in the SCTS ledger.

#### **7. Value Added Tax (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 i.e. VAT has a neutral impact on SCTS's income and expenditure.

#### **8. Usable Reserves**

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement.

The General Fund Balance represents cash funds that are available to SCTS.

#### **9. Provisions and Contingent Liabilities**

Provisions are made where SCTS has a present obligation, either legal or constructive, as a result of a past event that results in probable outflow of resources embodying economic benefits or service potential being required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES Statement in the year that SCTS becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. Where the effect of the time value of money is material, the amount of the provision recognised is the present value of the expenditure expected to be required to settle the obligation.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is improbable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

#### **10. Related Party Transactions**

Related party transactions are identified, considered and disclosed in line with the requirements of International Accounting Standard 24 - Related Party Disclosures (IAS 24).



## **11. Financial Instruments**

Loans and Receivables and Loans Payable are carried at amortised cost on the Balance Sheet. Available-for-sale investments are carried at fair value based on quoted market price.

The interest receivable or payable that is recognised within Financing and Investment Income and Expenditure is based on the effective interest rate chargeable to the carrying amount.

## **12. Accounting Standards Issued Not Adopted**

There are no accounting standards that have been issued, but not yet adopted that will have a material impact on the accounts.

## **13. Critical judgements made in applying accounting policies and assumptions about the future and other sources of estimation uncertainty**

There have been no critical judgements made in applying the accounting policies. In addition there have been no material assumptions about the future and other sources of estimation uncertainty.

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# Comprehensive Income and Expenditure Statement for the year ended 31 March 2021

| 2019/20                   |                      |  | 2020/21  |                           |                      |  |
|---------------------------|----------------------|--|--|---------------------------|----------------------|--|
| Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure of Continuing Operations<br>£000 |  | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure of Continuing Operations<br>£000 |
| 4,328                     | 0                    | 4,328  | Payments to Operators                                    | 964                       | 0                    | 964  |
| 272                       | 0                    | 272  | Corporate Costs (note 1)                                 | 349                       | 0                    | 349  |
| <b>4,600</b>              | <b>0</b>             | <b>4,600</b>                                     | <b>Cost Of Services</b>                                  | <b>1,313</b>              | <b>0</b>             | <b>1,313</b>                                     |
|                           |                      | (18)   | Financing and Investment Income and Expenditure (note 2) |                           |                      | (7)  |
|                           |                      | (4,040)  | Taxation and Non-Specific Grant Income (note 3)          |                           |                      | (4,039)  |
|                           |                      | <b>542</b>                                       | <b>Deficit on Provision of Services</b>                  |                           |                      | <b>(2,733)</b>                                   |
|                           |                      | 0  | Other Comprehensive Income and Expenditure               |                           |                      | 0  |
|                           |                      | <b>542</b>                                       | <b>Total Comprehensive Income and Expenditure</b>        |                           |                      | <b>(2,733)</b>                                   |

An Expenditure and Funding Analysis note has not been produced for SCTS as the note would simply mirror the Income and Expenditure Statement details above.

## Balance Sheet as at 31 March 2021

| 31 March<br>2020<br>£000 |                            | Note | 31 March<br>2021<br>£000 |
|--------------------------|----------------------------|------|--------------------------|
| 940                      | Short-term Investments     | 8    | 2,025                    |
| 898                      | Cash and Cash Equivalents  | 7    | 1,634                    |
| 2                        | Short-term Debtors         | 9    | 0                        |
| <b>1,840</b>             | <b>Current Assets</b>      |      | <b>3,659</b>             |
| (1,113)                  | Short-term Creditors       | 10   | (199)                    |
| 0                        | Provisions                 | 11   | 0                        |
| <b>(1,113)</b>           | <b>Current Liabilities</b> |      | <b>(199)</b>             |
| <b>727</b>               | <b>Net Assets</b>          |      | <b>3,460</b>             |
| 727                      | Usable Reserves            | 4    | 3,460                    |
| <b>727</b>               | <b>Total Reserves</b>      |      | <b>3,460</b>             |

The unaudited accounts were issued on 4 June 2021 and the audited accounts were authorised for issue on XX XXXX 2021.

**Signed on behalf of the Joint Committee:**

*Valerie Davidson*

**Valerie Davidson**  
Secretary / Treasurer  
4 June 2021

## Cash Flow Statement for the year ended 31 March 2021

| 2019/20<br>£000 |   | 2020/21<br>£000 |
|-----------------|---|-----------------|
| (542)           | Net surplus or (deficit) on the provision of services   | 2,733           |
| 250             | Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 5)                                    | (912)           |
| (18)            | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (7)             |
| (310)           | Net cash flows from Operating Activities  | 1,814           |
| 506             | Investing Activities (note 6)   | (1,078)         |
| 196             | Net increase or (decrease) in cash and cash equivalents   | 736             |
| 702             | Cash and cash equivalents at the beginning of the reporting period  | 898             |
| <b>898</b>      | <b>Cash and cash equivalents at the end of the reporting period (note 7)</b>  | <b>1,634</b>    |
|                 |   |                 |

# Movement in Reserves Statement

## Current Year

|   | <b>General<br/>Fund<br/>Balance<br/>£000</b> |
|---|--|
| <b>Balance at 31 March 2020</b>                 | <b>727</b>                                   |
| <b>Movement in reserves during 2020/21</b>      |  |
| Total Comprehensive Income and Expenditure      | 2,733  |
| <b>Increase / (Decrease) in 2020/21</b>         | <b>2,733</b>                                 |
| <b>Balance at 31 March 2021 carried forward</b> | <b>3,460</b>                                 |

## Comparative Information for 2019/20

|   | <b>General<br/>Fund<br/>Balance<br/>£000</b> |
|---|--|
| <b>Balance at 31 March 2019</b>                 | <b>1,269</b>                                 |
| <b>Movement in reserves during 2019/20</b>      |  |
| Total Comprehensive Income and Expenditure      | (542)  |
| <b>Increase / (Decrease) in 2019/20</b>         | <b>(542)</b>                                 |
| <b>Balance at 31 March 2020 carried forward</b> | <b>727</b>                                   |

# Notes to the Financial Statements

## 1. Comprehensive Income and Expenditure Statement - Corporate Costs

| 2019/20<br>£000 |                                 | 2020/21<br>£000 |
|-----------------|---------------------------------|-----------------|
| 137             | Staff Costs                     | 187             |
| 5               | Auditor's Remuneration          | 5               |
| 0               | Members Allowances and Expenses | 0               |
| 127             | Other Costs                     | 111             |
| 3               | Postage Costs                   | 46              |
| <b>272</b>      | <b>Total</b>                    | <b>349</b>      |

The average number of full time SPT staff dealing with the administration of the Scheme was 7 (2019/20: 5.5), including the issue of the national entitlement card.

## 2. Comprehensive Income and Expenditure Statement - Financing and Investment Income and Expenditure

| 2019/20<br>£000 |  | 2020/21<br>£000 |
|-----------------|--|-----------------|
| (18)            | Interest receivable and similar income | (7)             |
| <b>(18)</b>     | <b>Total</b>                           | <b>(7)</b>      |

## 3. Comprehensive Income and Expenditure Statement - Taxation and Non Specific Grant Incomes

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:

| 2019/20<br>£000 |                             | 2020/21<br>£000 |
|-----------------|-----------------------------|-----------------|
| (207)           | Argyll & Bute Council       | (205)           |
| (235)           | East Ayrshire Council       | (234)           |
| (227)           | East Dunbartonshire Council | (227)           |
| (180)           | East Renfrewshire Council   | (180)           |
| (840)           | Glasgow City Council        | (839)           |
| (157)           | Inverclyde Council          | (156)           |
| (286)           | North Ayrshire Council      | (285)           |
| (567)           | North Lanarkshire Council   | (568)           |
| (320)           | Renfrewshire Council        | (322)           |
| (263)           | South Ayrshire Council      | (263)           |
| (595)           | South Lanarkshire Council   | (597)           |
| (163)           | West Dunbartonshire Council | (163)           |
| <b>(4,040)</b>  | <b>Total</b>                | <b>(4,039)</b>  |



#### 4. Balance Sheet - Usable Reserves

Movements in SCTS's usable reserves are detailed in the Movement in Reserves Statement.

#### 5. Cash Flow Statement - Non Cash Movements

| 2019/20<br>£000 |                                     | 2020/21<br>£000 |
|-----------------|-------------------------------------|-----------------|
| (1)             | (Increase) / decrease in debtors    | 2               |
| 301             | Increase / (decrease) in creditors  | (914)           |
| (50)            | Increase / (decrease) in provisions | 0               |
| <b>250</b>      | <b>Total</b>                        | <b>(912)</b>    |

#### 6. Cash Flow Statement - Investing Activities

| 2019/20<br>£000 |   | 2020/21<br>£000 |
|-----------------|---|-----------------|
| 488             | Purchase of short-term investments              | (1,085)         |
| 18              | Interest received (note 2)                      | 7               |
| <b>506</b>      | <b>Net cash flows from investing activities</b> | <b>(1,078)</b>  |

#### 7. Cash Flow Statement - Cash and Cash Equivalents

| 31 March<br>2020<br>£000 |  | 31 March<br>2021<br>£000 |
|--------------------------|--|--------------------------|
| 898                      | Current accounts with banks and building societies | 1,634                    |
| <b>898</b>               | <b>Total cash and cash equivalents</b>             | <b>1,634</b>             |

#### 8. Short-term Investments

| 31 March<br>2020<br>£000 |  | 31 March<br>2021<br>£000 |
|--------------------------|--|--------------------------|
| 940                      | Deposits with banks and building societies | 2,025                    |
| <b>940</b>               | <b>Total</b>                               | <b>2,025</b>             |

#### 9. Short-term Debtors

| 31 March<br>2020<br>£000 |                                | 31 March<br>2021<br>£000 |
|--------------------------|--------------------------------|--------------------------|
| 2                        | Prepayments and Accrued Income | 0                        |
| <b>2</b>                 | <b>Total</b>                   | <b>0</b>                 |

## 10. Short-term Creditors

| 31 March<br>2020<br>£000 |                             | 31 March<br>2021<br>£000 |
|--------------------------|-----------------------------|--------------------------|
| 0                        | Trade Payables              | 0                        |
| 1,113                    | Accruals and Prepaid Income | 199                      |
| 0                        | Other payable amounts       | 0                        |
| <b>1,113</b>             | <b>Total</b>                | <b>199</b>               |

## 11. Provisions

|   | Operator<br>Payments<br>£000 |
|---|------------------------------|
| <b>Balance at 1 April 2020</b>                  | <b>0</b>                     |
| Additions to provisions during 2020/21          |                              |
| Amounts used in 2020/21                         | 0                            |
| Unused amounts reversed in 2020/21              | 0                            |
| <b>Balance at 31 March 2021 carried forward</b> | <b>0</b>                     |

Provision was in relation to the financial effect of a review of operator payment allocation methodology.

## 12. External Audit Costs

SCTS has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by SCTS's external auditor.

| 2019/20<br>£000 |   | 2020/21<br>£000 |
|-----------------|---|-----------------|
| 5               | Fees payable with regard to external audit services carried out by the appointed auditor for the year | 5               |
| 0               | Fees payable for additional services  | 0               |
| <b>5</b>        | <b>Total</b>  | <b>5</b>        |

## 13. Related Parties

SCTS is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence SCTS. Disclosure of these transactions allows readers to assess the extent to which SCTS might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely.

### Members and the 12 Local Authorities in Strathclyde

Nominated members from each of the 12 Local Authorities in Strathclyde have direct control over SCTS's financial and operating policies.

During 2020/21 the 12 Local Authorities in Strathclyde provided funding totalling £4.039 million (2019/20: £4.040 million) in the form of requisition.

### Strathclyde Partnership for Transport (SPT)

SPT provides SCTS with administrative and overhead support, as well as sharing a number of the same board members. In addition, SPT receives a reimbursement from SCTS for concessionary travel usage on the Subway.

### 13. Related Parties (continued)

During 2020/21 SPT charged £0.344 million (2019/20: £0.266 million) to SCTS for the provision of administrative services. SCTS reimbursed SPT £0.072 million (2019/20: £0.326 million) for concessionary travel journeys made on the Subway.

There is a balance of £0.120 million (2019/20: £0.266 million) within Short-term Creditors (note 10) which relates to the administration charge and income reimbursement owed to SPT.

There is a balance of £0.000 million (2019/20: £0.002 million) within Short-term Debtors (note 9) in 2020/21.

### 14. Financial Instruments

SCTS is debt free and therefore, SCTS currently has no debt related financial instruments disclosure requirements. The following disclosure covers all areas relevant to SCTS's activities. All financial assets and financial liabilities are held at amortised cost.

#### Financial Assets

|                | Cash and Investments |               | Current Debtors |               | Total         |
|----------------|----------------------|---------------|-----------------|---------------|---------------|
|                | 31 March 2020        | 31 March 2021 | 31 March 2020   | 31 March 2021 | 31 March 2021 |
|                | £000                 | £000          | £000            | £000          | £000          |
| Amortised Cost | 1,838                | 3,659         | 2               | 0             | 3,659         |
| <b>Total</b>   | <b>1,838</b>         | <b>3,659</b>  | <b>2</b>        | <b>0</b>      | <b>3,659</b>  |

#### Financial Liabilities

|                | Current Creditors |               | Total         |
|----------------|-------------------|---------------|---------------|
|                | 31 March 2020     | 31 March 2021 | 31 March 2021 |
|                | £000              | £000          | £000          |
| Amortised Cost | 1,113             | 199           | 199           |
| <b>Total</b>   | <b>1,113</b>      | <b>199</b>    | <b>199</b>    |

#### Financial Instruments Gains / Losses / Expenses charged during 2020/21 (at amortised cost)

The gain incurred by SCTS in 2020/21 was an interest gain of £0.007 million (2019/20: £0.018 million). There was no expense as SCTS is debt free at present.

### 15. Nature and Extent of Risk Arising from Financial Instruments

Treasury Management for SCTS is carried out by SPT who has fully adopted CIPFA's Code of Treasury Management Practices and has specific written risk management policies and procedures.

SCTS's activities expose it to a variety of financial risks, including:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority;
- liquidity risk – the possibility that SPT might not have funds available to meet its commitments to make payments; and
- market risk – the possibility that financial loss may arise for the authority as a result of changes in such measures as interest rates and stock market movements.

SCTS's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by SPT's finance team, under policies approved by the Partnership in the annual treasury management strategy.

## 15. Nature and Extent of Risk Arising from Financial Instruments (continued)

### Credit Risk

Credit risk arises from temporary deposits placed with banks and financial institutions, as well as credit exposure to SCT's customers.

The risk is minimised through the Annual Investment Strategy, which is available on SPT's website at

[spt.co.uk/documents/latest/rtp230218\\_agenda5.pdf](http://spt.co.uk/documents/latest/rtp230218_agenda5.pdf)

### Credit Risk Management Practices

SCTS's is covered by SPT's investment policy, which has regard to the Local Government Investment (Scotland) Regulations (and accompanying finance circular) and the CIPFA Treasury Management Code of Practice. SPT's investment priorities will be security first, liquidity second and then return. In accordance with the guidance from the Scottish Government and CIPFA, and in order to minimise the risk to investments, SPT: -

- has a defined list of investment instruments that are authorised for use;
- has a defined creditworthiness policy;
- an approved counterparty list, which is kept under constant review; and
- counterparty limits to ensure that funds are spread over several financial institutions.

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

| Amount as at<br>31 March<br>2020<br>£000 |   | Amount as at<br>31 March<br>2021<br>£000 | Historical<br>Experience of<br>Non-payment<br>Adjusted for<br>Market<br>Conditions<br>% | Estimated<br>Maximum<br>Exposure to<br>Default and<br>Un-<br>collectability<br>£000 |
|--|---|--|---|---|
| 1,838                                    | Deposits with banks and other<br>financial institutions | 3,659                                    | 0   | 0   |
| 1,838                                    | <b>Total</b>  | 3,659                                    |   | <b>0</b>  |

### Liquidity Risk

SCTS has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

### Market Risk

Movements in market interest rates expose SCTS to risk due to uncertainty in the interest receivable on investments. Higher interest rates would increase income received on variable rate lending, which would impact on the CIES.

SCTS's strategy for managing interest rate risk is covered in SPT's 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.

According to these investment strategies, as at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| 31 March<br>2020<br>£000 |  | 31 March<br>2021<br>£000 |
|--------------------------|--|--------------------------|
|                          | <b>Estimated Financial Effect</b>                            |                          |
| (21)                     | Increase in interest receivable on variable rate investments | (33)                     |
| <b>(21)</b>              | <b>Net theoretical impact on I&amp;E Account</b>             | <b>(33)</b>              |

## **15. Nature and Extent of Risk Arising from Financial Instruments (continued)**

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

SCTS has no exposure to any price risk as a result of equity share investments, or to any foreign exchange rate movements.

## **16. Events after the Balance Sheet Date**

The annual accounts were authorised for issue by the Treasurer on XX XXXX 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. As detailed in the management commentary the COVID-19 pandemic is having a significant impact operationally and financially on SCTS both in 2020/21 and moving forward.

## **17. Remuneration Report**

The Local Authority Accounts (Scotland) Regulations 2014 and the Code require a remuneration report to be produced and included within the annual accounts. As SCTS has no employees and no allowances or expenses have been paid to any councillor there is nothing to report and therefore a Remuneration Report has not been included within the annual accounts.

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