



2015/16 Abstract of Accounts – Strathclyde Partnership for Transport

Committee Audit & Standards

Date of meeting 17 June 2016

Date of report 6 June 2016

Report by Assistant Chief Executive (Business Support)

1. Object of report

To provide the committee with the draft abstract of accounts for financial year ending 31 March 2016, and seek their agreement to submit the accounts to the External Auditor by 30 June 2016.

2. Background

The partnership is required to prepare financial statements having due regard to recognised accounting standards and specifically the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16*. The Partnership is required to submit to the External Auditor a draft abstract of accounts, for the purpose of audit no later than the 30 June of each year.

3. Outline of proposals

Attached to this report is the prepared abstract of accounts for the financial year 2015/16. These have been prepared in accordance with the recognised standards and the Accounting Code of Practice.

4. Conclusion

The draft abstract of accounts has been prepared in the legislative timeframe having due regard to all current standards.

5. Partnership action

The Partnership is asked to note:

- the draft abstract of accounts, and if appropriate, agree that these abstracts should be submitted to the External Auditor no later than the 30 June 2016.

6. Consequences

Policy consequences	<i>None.</i>
Legal consequences	<i>Complies with legislative timetable for submission.</i>
Financial consequences	<i>None directly. All accounting standards considered during preparation.</i>
Personnel consequences	<i>None.</i>
Social Inclusion consequences	<i>None.</i>
Risk consequences	<i>None.</i>

Name Valerie Davidson
Title **Assistant Chief Executive
(Business Support)**

Name Gordon MacLennan
Title **Chief Executive**

For further information, please contact *Neil Wylie, Director of Finance & HR, on 0141 333 3380.*

Strathclyde Partnership for Transport Financial Statements for the year ended 31 March 2016

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Members of Strathclyde Partnership for Transport

Members of the Partnership as at 31 March 2016

Member	Representing
Cllr Robert G MacIntyre	Argyll & Bute Council
Cllr Bobby McDill	East Ayrshire Council
Cllr Alan Moir	East Dunbartonshire Council
Cllr Tony Buchanan	East Renfrewshire Council
Cllr Malcolm Balfour	Glasgow City Council
Cllr Jonathan Findlay (Chair)	Glasgow City Council
Cllr Gerald Leonard	Glasgow City Council
Cllr Chris Kelly	Glasgow City Council
Cllr Pauline McKeever	Glasgow City Council
Cllr David Wilson	Inverclyde Council
Cllr John Bruce	North Ayrshire Council
Cllr Frank McNally	North Lanarkshire Council
Cllr Kaye Harmon (Vice Chair)	North Lanarkshire Council
Cllr Paul Welsh	North Lanarkshire Council
Cllr Eddie Devine	Renfrewshire Council
Cllr Bill Grant	South Ayrshire Council
Cllr Denis McKenna (Vice Chair)	South Lanarkshire Council
Cllr Hamish Stewart	South Lanarkshire Council
Cllr Allan Falconer	South Lanarkshire Council
Cllr Lawrence O'Neill	West Dunbartonshire Council
Ann Faulds	Appointed Member
Anne Follin	Appointed Member
Tom Hart	Appointed Member
Graham Johnston	Appointed Member
Alan Malcolm	Appointed Member
Jim McNally	Appointed Member
Gavin Scott	Appointed Member

The Partnership consists of 20 Elected Members representing the 12 constituent unitary authorities in the west of Scotland and between 7 and 9 Appointed Members. There are currently 7 Appointed Members. The Partnership met on 7 occasions during 2015/16.

The directors of the organisation are defined as the **Chief Executive, Gordon MacIennan**, **Assistant Chief Executive (Business Support), Valerie Davidson** and **Assistant Chief Executive (Operations), Eric Stewart**.

Secretary / Treasurer

Valerie Davidson
Assistant Chief Executive (Business Support)
Strathclyde Partnership for Transport
131 St. Vincent Street
Glasgow
G2 5JF

Address for Correspondence

Neil Wylie
Director of Finance & HR
Strathclyde Partnership for Transport
131 St. Vincent Street
Glasgow
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Management Commentary

Introduction

This management commentary puts the financial statements into context of what SPT is aiming to achieve, how we manage the risks and challenges and what the future holds.

About Strathclyde Partnership for Transport

Strathclyde Partnership for Transport is the Regional Transport Partnership for the west of Scotland covering 12 council areas.

SPT's Partnership Board is made up of 20 elected members representing 12 constituent councils, and in 2015/16 there were seven Appointed Members.

The Partnership is chaired by Councillor Jonathan Findlay along with Vice Chairs Councillor Denis McKenna and Councillor Kaye Harmon. The Partnership's policies and decisions are implemented by SPT staff under the strategic direction of Chief Executive, Gordon MacLennan, Assistant Chief Executive (Business Support), Valerie Davidson and Assistant Chief Executive (Operations), Eric Stewart.

SPT is at the heart of the region's transport planning, operations and project delivery; working to develop a joined up network now and for the future. We provide subsidised local bus services, are instrumental in the delivery and growth of community transport, and provide demand responsive services — MyBus — in areas not served by the commercial market and in rural communities where public transport would otherwise be unavailable. We deliver on street bus shelters and stops and are a key influence in the design of the bus network.

SPT organises the biggest school run in Scotland – getting around 38,000 pupils to and from school every day. We own and operate Buchanan, East Kilbride, Greenock and Hamilton bus stations with a total of around 1.2 million bus departures from our stations every year.

SPT also own and operate the Subway in Glasgow – the world's third oldest underground system and a vital part of the west of Scotland's transport network. The Subway carried nearly 13 million passengers in 2015/16.

We continue with modernisation of the Subway which will transform the network and enhance our customers' travel experience. A major milestone was reached in 2015/16 with the award of contracts for over £200 million for the manufacture and delivery of new rolling stock, signalling and control systems, control room and associated equipment.

SPT's Subway continues to operate its Smartcard ticketing system, with to date more than 110,000 Smartcards issued. On behalf of operators, SPT is also responsible for the operation and administration of the region's ZoneCard – an integrated multi-modal ticketing scheme – and on behalf of the 12 councils, the Strathclyde Concessionary Travel Scheme which provides discounted travel for those who are eligible on rail, subway and ferry.

We also work with many other organisations central to the planning and delivery of transport, including constituent councils, Transport Scotland, Clydeplan and public transport operators to name a few.

'A Catalyst for Change', the Regional Transport Strategy (RTS) for the west of Scotland 2008 – 2021, sets out SPT's vision and high-level strategy for improving transport across the west of Scotland. It seeks to deliver our four Strategic Outcomes. These are:

- Attractive, seamless, reliable travel
- Improved connectivity
- Access for all
- Reduced emissions

The RTS is supported by a Delivery Plan, which sets out the key investments, services and initiatives to be delivered in the shorter term to work towards achieving the strategic outcomes for the region.

In addition to our responsibilities as the Regional Transport Partnership, we also have responsibilities as a public body to ensure that public money is safeguarded and properly accounted for, used economically and efficiently. We must also ensure that we can demonstrate improved service delivery. This is underpinned by robust governance arrangements and processes.

SPT's functions are determined by the Transport (Scotland) Act 2005, which effectively transferred the functions of Strathclyde Passenger Transport Authority (SPTA) and Executive (SPTe) to the regional transport partnership for the west of Scotland. This resulted in SPT assuming the majority of responsibilities and roles of the former SPTA and SPTe with effect from 1 April 2006.

Our priorities

SPT's work is guided by the Regional Transport Strategy. This provides a strategic planning framework for planning, investment and delivery.

- **Attractive, seamless, reliable travel**

SPT believes that all modes of public transport in Strathclyde should be attractive, seamless and reliable. Those services should deliver regular, stable timetables which benefit existing passengers as well as attracting new customers. To do that we focused on three key areas in 2015/16 — Subway Modernisation, Smart and Integrated Ticketing, and Better Bus Services.

- **Improved connectivity**

SPT aims to achieve more efficient transport networks to help reduce congestion, improve access to employment, to help businesses connect better with their customers, employees and suppliers and to attract investment to the area. It is all part of developing an efficient, sustainable transport network to ensure access to strategic locations for both residents and business.

We pursue this aim by focusing on Fastlink; Strategic Rail enhancements; Rail & Freight; and integrated transport and land use planning

- **Access for all**

Ensuring that the transport network is accessible, affordable and safe enables the people of Strathclyde to get to the places they need and want to be, be it for education, employment or leisure. SPT aims to achieve this by providing and supporting socially necessary transport services and minimising any physical and non-physical barriers so that everyone, importantly those most in need, can live independent, socially-active lives and access the same opportunities as everyone else.

Our activity focussed on the following key areas in 2015/16: provision of socially necessary services, improving access to healthcare, and promoting equal access to public transport.

- **Reduced emissions**

SPT is committed to improving the range, choice, access to and appeal of sustainable travel options and encouraging better travel choices. We are also committed to reducing carbon emissions produced by our own operations and have implemented carbon reduction measures across the organisation.

In 2015/16, SPT focussed on reducing emissions through development of park and ride, cycling provision improvements and encouraging travel behaviour change.

- **Improved service delivery**

SPT is focussed on not only delivering transport improvements for the public but we also work hard to ensure that we are delivering our work as effectively and efficiently as possible.

We are continually evaluating everything we do to make sure that we get the most out of our resources – making every penny and every action count.

Performance Reporting

SPT monitors its performance regularly and reports on its performance throughout the year to its members through the committee structure. All reports are available to the public and can be found at:

<http://www.spt.co.uk/corporate/about/minutes-agendas/>

In addition, the full year performance is reported in the Annual Report 2016 and can be found at:

http://www.spt.co.uk/corporate/wp-content/uploads/2015/07/Annual-Report_2015-16.pdf

Management of Risk

The main financial and operational risks to SPT are included within the corporate risk register. This includes identification of clear mitigating actions and risk owners. The major financial risks at this stage arise from the continuing uncertainty over future years' financial settlements and the potential for continued austerity measures. This is reviewed regularly and reported to each Audit & Standards Committee for scrutiny and can be found at:

<http://www.spt.co.uk/corporate/about/minutes-agendas/>

Look Ahead

Following the announcement of the award of contract to Stadler Bussnang AG / Ansaldo STS Consortium, valued at £200 million, for the supply of new trains, signalling and equipment, work now begins to start delivering this element of the 'once in a generation' project. A major piece of infrastructure work, replacing the Ramps and Turnouts section of the tunnel chamber, where the Subway trains enter and exit the system, will take place in July 2016 and will see all services necessarily suspended for four weeks. The refurbishment of Buchanan Street Subway station and Govan Interchange will also be complete this year bringing the total number of modernised stations to seven. Contracts will also be awarded for the refurbishment of Cessnock and Kelvinbridge stations.

SPT will continue to develop smart ticketing and work with partners to develop a fully integrated system for the benefit of passengers. McGill's, the largest privately owned bus company in Scotland, has selected Nevis Technologies – the joint venture between Ecebs and SPT – to provide its smart integrated ticketing. SPT is already working with Abellio ScotRail through Nevis Technologies to deliver an interoperable smart ticketing solution across Scotland. Development work continues with bus and ferry operators across the Strathclyde area for overall integration of the Smartcard across the region.

Following the announcement of further £3.14 million package of works to extend the Fastlink project within Glasgow City Centre, this should see further bus priority measure and improved passenger facilities introduced by 2017. Throughout 2016/17, our resources will continue to focus on improving access to bus services across Strathclyde, and encouraging more sustainable travel behaviour across our region.

Preparation of Financial Statements

The financial statements demonstrate SPT's sound stewardship of the public funds it controls and manages. The financial statements have been prepared in accordance with *the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16* 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.

There remains an outstanding legislative matter relating to the preparation of the financial statements. A technical bulletin, issued by Audit Scotland, in June 2007 suggests that the Transport (Scotland) Act 2005 does not permit RTP's, including SPT, to generate a surplus or deficit on the general fund and hence to add to reserves. Reserves and fund balances are a critical tool in the financial plans of any organisation to ensure it is in a position to respond to unexpected events and circumstances. SPT is therefore relying on the former powers transferred under the Act to hold and utilise reserves. However, according to the technical bulletin and the opinion of Audit Scotland, SPT cannot contribute to reserves. SPT, having taken legal advice does not agree with the view suggested by Audit Scotland, given that the powers of SPTA and SPTE were transferred to SPT, but again in 2015/16 has prepared the financial statements in accordance with the position expressed by Audit Scotland. The view that SPT cannot add to reserves impacts on strategic financial planning and limits SPT's ability to plan and prepare for replacement and repair funds, which is considered to be best practice. SPT continues to press the Scottish Government for the legislative change which is deemed necessary to resolve the issue as a matter of urgency.

Pages 13 to 20 of the financial statements set out the accounting policies adopted by SPT in the preparation of the financial statements to ensure that the financial statements give a 'true and fair view' of SPT's financial position.

Financial Review

SPT's comprehensive income and expenditure statement for the year to 31 March 2016 on page 21 of the financial statements shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. The current economic environment continues to put pressure on various elements of funding and service costs. However, efficiency plans implemented in 2011/12, 2012/13, 2013/14, 2014/15 and again in 2015/16 ensured that SPT services were delivered within budget and available funding. SPT continues to make plans for responding to any further reductions in public sector funding.

SPT's net revenue budget was set at £38.418 million, of which £37.381 million was financed by requisition from the 12 local authority partners in the SPT area and £1.037 million was financed by Scottish Government direct grants.

Requisition and Scottish Government grant was received as budgeted for and no draw on reserves was required within the year. As in 2014/15 a contribution to the Subway Fund was planned for 2015/16, in accordance with the Subway Modernisation Business Case submitted to the Scottish Government, and has been generated. However, until the matter relating to the holding of reserves is resolved this contribution is deemed to be "Receipts in Advance". A contribution of £10.586 million (2014/15: £10.428 million) was made during the year. In line with the planned Subway capital programme £16.969 million (2014/15: £9.735 million) of the 'Receipts in Advance' was utilised in 2015/16 resulting in a balance of £24.560 million (2015: £30.944 million). The current balance of £24.560 million is split between short term creditors £14.75 million and long term creditors £9.810 million. The balance is in line with the agreed funding case approved by the Scottish Government.

Balance Sheet

SPT's balance sheet is shown on page 22 of the financial statements and provides details of SPT's assets and liabilities as at 31 March 2016. Explanatory notes are also provided.

Cash Flow Statement

The Cash Flow Statement on page 23 of the financial statements 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 movement in reserves statement on page 24 of the financial statements shows the movement in revenue and capital reserves held by SPT as at 31 March 2016. The major movements in reserves in the year are: a £1.357 million reduction in the General Fund; a £5.964 million reduction in the Capital Grants Unapplied Account; a £20.342 million increase in the Capital Adjustment Account; and a £10.014 million increase in the Pension Reserve.

The reductions in the General Fund and Capital Grants Unapplied Account relate to the use of these reserves as a source of funding in the year for new capital expenditure.

Capital Expenditure

SPT receives a specific grant from the Scottish Government to fund capital investment, although it does have the facility and powers to undertake prudential borrowing. SPT has not supplemented the direct government grant with borrowing during the financial year.

Details of capital expenditure are provided in note 23 (page 51 of the financial statements). Total expenditure in support of the programme amounted to £54.595 million (2014/15: £40.693 million). The programme was funded by: £21.9 million of Scottish Government general capital grant; £1.821 million Scottish Government specific capital grant (in support of the Fastlink project); £2.33 million ERDF grants; £0.282 million other grants and contributions; a revenue contribution to the capital programme of £22.565 million (£16.969 million Subway Fund utilised); £1.357 million transfer from the General Fund; £0.1 million transfer from the Capital Receipts Reserve; and £4.240 million transfer from the Capital Grants Unapplied Account.

A funding swap arrangement entered into with other Regional Transport Partnerships in 2007/08 has not yet crystallised and £1.564 million remains outstanding. This will be returned at a time agreed between the respective bodies.

Valuation of Non-current Assets

In 2015/16 some properties were revalued in accordance with the Code, resulting in an increase of £1.462 million to the Revaluation Reserve and revaluation losses of £1.202 million charged to the Comprehensive Income and Expenditure Statement (CIES).

As a result of the Subway Modernisation programme, a review was undertaken of all Subway assets to determine if any would be rendered obsolete ahead of their scheduled useful life by the planned investment in new assets. This review was widened in 2012/13 to cover all SPT fixed assets and updated for changes in 2013/14, 2014/15 and 2015/16. As a result, in 2015/16, impairment losses of £1.469 million have been charged to the CIES in respect of subway station buildings, subway plant & equipment and the bus operations fleet.

Pension Assets and Liabilities

The common position for employers participating in the Strathclyde Pension Fund is that the International Accounting Standard 19 (IAS19), 'Retirement Benefits' calculation (page 39 of the financial statements) is based on a snapshot valuation as at 31 March 2016, which shows a deficit of £28.973 million (£38.987 million deficit, 2014/15).

Membership of the Partnership

Details of the Members of the Partnership at 31 March 2016 are shown on page 2 of the financial statements.

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

Jonathan Findlay
Chair
xx xxxx 2016

Gordon MacLennan
Chief Executive
xx xxxx 2016

Valerie Davidson
Assistant Chief Executive (Business Support)
xx xxxx 2016

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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);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

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 2015/16 ("the Code of Practice").

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

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting in the UK;
- kept proper accounting records that were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Jonathan Findlay

Chair

xx xxxx 2016

Valerie Davidson

Assistant Chief Executive (Business Support)

xx xxxx 2016

Annual Governance Statement and Statement of Financial Control

Scope of the Governance Framework

Strathclyde Partnership for Transport (SPT) has established governance arrangements that are consistent with the seven (7) principles for good governance outlined in the International Framework: Good Governance in the Public Sector published by the Chartered Institute of Public Finance & Accountancy (CIPFA)/International Federation of Accountants (IFAC) in July 2014.

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.

The Purpose of the Governance Framework

The purpose of Good Governance in the Public Sector (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.

The Code of Conduct for Employees, including the register of hospitality and register of interests for employees was approved by the Personnel Committee at its meeting of 24 April 2015.

Revisions to the Partnership's Standing Orders and Terms of Reference were approved by the Partnership at its meeting of 14 August 2015.

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 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 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 are open to the public, and agendas, papers and minutes are published on our website.

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 2015/16 to promote and increase sustainable growth through the exercise of its functions.

The Regional Transport Strategy Delivery Plan 2014–2017 has a strong focus on the specific services, initiatives and projects which SPT seeks to deliver over this three year period. 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.

In accordance with the Regional Transport Strategy Delivery Plan, SPT presents Transport Outcomes Reports (TORs) for SPT's constituent councils and Community Planning Partnerships (CPPs) in accordance with their Single Outcome Agreements (SOAs).

The Regional Transport Strategy Delivery Plan 2014-17 was approved by the Partnership at its meeting of 9 May 2014.

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, ICT strategy, 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.

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

This principle is about enabling employees 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.

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 financial statements demonstrate SPT's sound stewardship of the public funds it controls and manages. The financial statements 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.

The Corporate Risk Register is reviewed at each strategy group meeting, with reporting lines to the Audit and Standards Committee.

The Risk Management Strategy was approved by the Audit and Standards committee at its meeting of 27 March 2015.

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 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.

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

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 (Business Support) 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 (Business Support) 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 2015/16 financial statements 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 revenue and capital budgeting systems integrated with service planning;
- a regime for regular reporting to the Partnership and committees of periodic and annual financial reports which highlight financial performance against forecast;
- setting targets to measure financial and other performance;
- performance management information;
- project management disciplines; and
- guidance relating to financial processes, procedures and regulations.

Internal Audit is an independent, 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 2015/16 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 or as part of the external scrutiny process.

Jonathan Findlay
Chair
xx xxxx 2016

Gordon Maclennan
Chief Executive
xx xxxx 2016

Accounting Policies

General Principles

The financial statements for the year ended 31 March 2016 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 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (SeRCOP). 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 SPT for 2015/16.

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 SPT 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 financial statements is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1. Basis of preparation

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

- **Revenue income and debtors**

All transactions relating to the period to 31 March 2016 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 2016 relating to goods or services received in the year 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.

2. Service Reporting Code of Practice (SeRCOP)

The Comprehensive Income and Expenditure Statement (CIES) has been presented in accordance with the requirements of the SeRCOP. The CIES presents expenditure analysed to reflect the key operations of SPT, which is in accordance with SeRCOP.

3. Leases and Lease Type Arrangements

Finance Leases

Leases are accounted for as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the lessee. Finance leases have a number of characteristics, however, SPT has determined the principal factor in defining a lease as a finance lease to be where the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. At present SPT has no finance leases.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the CIES as an expense of the services benefitting from use of the leased property, plant and

equipment. Charges are made on a straight-line basis over the term of the lease.

Where SPT grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

4. Employee Benefits

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as, wages and salaries and paid annual leave for current employees, are recognised as an expense in the year in which the employee renders service to SPT. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements earned by employees but not taken before the year end and which employees can carry forward to the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

5. Termination Benefits

Termination benefits are amounts payable as a result of a decision by SPT to terminate an officer's employment before the assumed normal retirement date or an officer's decision to accept a voluntary termination package in exchange for those benefits. Termination benefits do not provide SPT with future economic benefits and consequently they are recognised on an accruals basis immediately in the Surplus or Deficit on the Provision of Services line in the CIES when the Partnership is demonstrably committed to provision of the termination benefits.

Where termination benefits involve the enhancement of pensions, they are treated as pension costs for the purposes of the statutory transfer between the Pension Reserve and the General Fund of the amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable, but unpaid at the year-end.

6. Retirement Benefits

SPT participates in the Strathclyde Pension Fund, which is a Local Government Pension Scheme.

The Local Government Scheme is accounted for as a defined benefits scheme as follows:

- Attributable assets are measured at fair value at the balance sheet date after deducting accrued expenses. Liabilities of the Strathclyde Pension Fund attributable to SPT are included in the Balance sheet on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. Net pension assets are recognised only to the extent that SPT is able to recover a surplus either through reduced contributions in the future or through refunds from the scheme. Unpaid contributions to the schemes are recorded as creditors due within one year.

The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of the year of service earned this year – allocated in the CIES to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the CIES

- net interest on the net defined benefit liability (asset), i.e. net interest expense for SPT – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Strathclyde Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by SPT to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further details of Pension Costs can be found in note 14 on pages 39 to 44.

7. Stocks for repair and maintenance

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

8. Allocation of overheads

The costs of overhead and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). Overheads are recharged to the service categories detailed in the CIES.

9. Debt redemption, interest charges and debt management expenses

In the event of SPT borrowing, repayment of debt is based on the annuity method of repayment. All loan charges are charged to the CIES.

10. Investments

Surplus cash balances are invested with major financial institutions as part of SPT’s treasury management function. In compliance with the ‘CIPFA Prudential Code for Capital Finance in Local Authorities (2011)’, 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 CIES.

11. Bank balances

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

12. 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 SPT ledger.

13. Provisions and Contingent Liabilities

Provisions are made where SPT 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 SPT 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.

14. 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 SPT's income and expenditure.

15. Usable and Unusable 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, Capital Grants Unapplied and Capital Receipts Reserve represent cash funds that are available to SPT.

Unusable reserves represent non cash funds that are not available to SPT. These balances are recognised as part of the accounting arrangements for capital, pensions and employee benefits. The Capital Adjustment Account contains entries relating to the financing of capital expenditure and the Revaluation Reserve reflects movement in the value of assets. The Pension Reserve has been set up in accordance with the accounting requirements of International Accounting Standard, IAS 19 'Employee Benefits'. The Employee Statutory Adjustment Account has been created to negate the impact of the employee benefits accrual on the General Fund.

16. Capital Grant

Capital grants or contributions are recognised immediately in the CIES, subject to the fulfilment of any grant conditions. Where grant conditions have not been met, the grant will be accounted for as capital grant receipts in advance on the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is charged to the Capital Grants Unapplied Account. Where it has been applied, it is charged to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

17. Intangible assets

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

18. Property Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to SPT and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of SPT. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by SPT.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Rolling stock, infrastructure, plant and machinery and sundry assets - depreciated historical cost;
- Land and buildings – depreciated replacement cost or existing useful life; and
- all other assets – fair value, existing use value (EUUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Land and buildings were revalued by SPT's valuer as at 31 March 2014 and will be revalued in accordance with the valuer's 5 year programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the revaluation loss is accounted as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less selling costs. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Surplus and Deficit on the Provision of Services in the CIES. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Surplus and Deficit on the Provision of Services in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce SPT's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against general funding, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

Category	Valuer	Current Basis of Valuation	Date of Last Valuation	Useful Life
Land & Buildings	External Valuer	Lower of net current replacement cost or net realisable value in existing use	31/03/2014	Land - Not Applicable Buildings - 40 years
Plant & Machinery	Not applicable	Cost	N/A	1-30 years
Rolling Stock and Vehicles	Not applicable	Cost	N/A	1-25 years
Infrastructure	Not applicable	Cost	N/A	10-40 years
Sundry Assets	Not applicable	Cost	N/A	1-40 years
Third Party Rolling Stock	Not applicable	Cost	N/A	20 years
Third Party Public Transport Assets	Not applicable	Cost	N/A	Fully depreciated in year of acquisition.
Non – Operational Assets				
Assets Under Construction	Not applicable	Cost	N/A	N/A
Investment Properties	External Valuer	Market Value	31/03/2016	N/A
Land (non-operational)	Not applicable	Market Value	N/A	N/A

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Where internal staff costs are capitalised they are fully depreciated in the year incurred or whenever transferred out of Assets Under Construction, whichever is the earlier.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Investment properties

Investment properties include retail outlets contained within assets owned by SPT and other land and buildings, which are leased to third parties. The assets are valued annually at Fair Value (FV) in line with the guidance contained within the Code. The valuation method used is the market approach, which utilises prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets. This method of valuation corresponds with level 2 on the fair value hierarchy. Movements in valuations are initially recognised in the CIES, but are reversed through the movement in reserves statement before being posted to the capital adjustment account.

19. 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).

20. 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. Premiums and discounts arising from debt restructuring are written off through the Movement in Reserves Statement to the Financial Instruments

Adjustment Account. Amortisation is undertaken of up to 5 or 20 years depending on the nature of the premium or discount and in line with statutory instruction.

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.

There are two accounting reserves arising from the re-measurement of financial instruments:

- (i) The Available-for-sale Financial Instruments Reserve holds the gains or losses arising from the policy of carrying the available-for-sale investments at fair value;
- (ii) The Financial Instruments Adjustment Account holds the accumulated difference between the financing costs included in the CIES and the accumulated financing costs required in accordance with the regulations to be charged to the General Fund Balance.

21. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where SPT has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged.

Revenue expenditure funded from capital is predominantly grants to other bodies to fund capital projects. The expenditure is recognised within the CIES, when the grant is approved by committee or in accordance with grant conditions.

22. Heritage Assets

Heritage assets are held or maintained principally for their contribution to knowledge and culture. They are initially recognised at cost if this is available. If cost is not available, values are only included in the Balance Sheet where the cost of obtaining valuation is not disproportionate to the benefit derived. Where no market exists or the asset is deemed to be unique, and it is not practicable to obtain a valuation, the asset is not recognised in the Balance Sheet but disclosed in the notes to the accounts.

Heritage assets are depreciated over their useful life if this can be established. If an asset is considered to have an indefinite life, no depreciation is charged. Disposals, revaluation gains and losses and impairments of heritage assets are dealt with in accordance with the SPT's policies relating to property, plant and equipment.

The cost of maintenance and repair of heritage assets is written off in the year incurred.

23. Carbon Reduction Commitment Scheme

SPT is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. SPT is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to SPT is recognised and reported in the costs of the SPT's services and is apportioned to services on the basis of energy consumption.

24. Accounting Standards Issued Not Adopted

The following Adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IAS 19 – Employee Benefits (amendments relating to Defined Benefit Plans)
- IFRS 11 - Joint Arrangements
- IAS 16 – Property Plant & Equipment (amendments relating to acceptable methods of depreciation and amortisation)
- IAS 38 – Intangible Assets (amendments relating to acceptable methods of depreciation and amortisation)
- IAS 1 – Presentation of Financial Statements (amendments relating to Disclosure Initiatives)
- IAS 38 – Intangible Assets (amendments relating to acceptable methods of depreciation and amortisation)

Comprehensive Income and Expenditure Statement for the year ended 31 March 2016

2014/15			2015/16			
Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000		Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000
27,351	(19,094)	8,257	Subway operations	29,758	(18,861)	10,897
23,635	(2,532)	21,103	Bus operations	24,349	(3,470)	20,879
1,494	0	1,494	Policy, strategy and projects	1,548	0	1,548
33,327	(2,765)	30,562	Corporate and democratic core	28,171	(1,382)	26,789
85,807	(24,391)	61,416	Cost Of Services	83,826	(23,713)	60,113
		665	Financing and Investment Income and Expenditure (note 2)			(1,092)
		(66,138)	Taxation and Non-Specific Grant Income (note 3)			(69,528)
		(4,057)	Surplus on Provision of Services			(10,507)
		(1,964)	Upward valuation of non-current assets (note 5)			(1,830)
		6,344	Actuarial (gains) / losses on pension assets / liabilities (note 5)			(12,604)
		1,561	Other Comprehensive Income and Expenditure			1,739
		1,884	Total Comprehensive Income and Expenditure			(23,202)

Balance Sheet as at 31 March 2016

31 March 2015 £000		Note	31 March 2016 £000
126,341	Property, Plant & Equipment	22	146,483
5,949	Investment Properties	19	6,342
719	Intangible Assets	20	617
5	Investments in Joint Ventures and Associates	34	5
133,014	Long Term Assets		153,447
52,131	Short Term Investments		41,660
178	Inventories	26	319
30,152	Short Term Debtors	27	8,839
46,611	Cash and Cash Equivalents	10	54,804
129,072	Current Assets		105,622
(44,769)	Short Term Creditors	28	(40,576)
(576)	Provisions	30	(633)
(45,345)	Current Liabilities		(41,209)
(165)	Provisions	30	0
(21,714)	Long Term Creditors	29	(9,810)
(38,987)	Other Long Term Liabilities (Pensions)	14	(28,973)
(60,866)	Long Term Liabilities		(38,783)
155,875	Net Assets		179,077
(69,466)	Usable reserves	4	(62,202)
(86,409)	Unusable Reserves	5	(116,875)
(155,875)	Total Reserves		(179,077)

The unaudited financial statements were issued on XX XXX 2016 and the audited financial statements were authorised for issue on XX XXX 2016.

Valerie Davidson

Assistant Chief Executive (Business Support)

xx xxxx 2016

Cash Flow Statement for the year ended 31 March 2016

2014/15 £000		2015/16 £000
(4,057)	Net surplus on the provision of services	(10,507)
(37,501)	Adjust net surplus or deficit on the provision of services for non cash movements (note 6)	(41,652)
602	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	787
(602)	Net cash flows from Operating Activities (note 7)	(787)
31,225	Net cash flows from Investing Activities (note 8)	43,966
0	Net cash flows from Financing Activities (note 9)	0
(10,333)	Net increase in cash and cash equivalents	(8,193)
36,278	Cash and cash equivalents at the beginning of the reporting period	46,611
46,611	Cash and cash equivalents at the end of the reporting period (note 10)	54,804
(10,333)		(8,193)

Movement in Reserves Statement 2015/16

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Capital Adjustment Account £000	Revaluation Reserve £000	Pension Reserve £000	STACA Statutory Mitigation Account £000	Total Unusable Reserves £000	Total Partnership Reserves £000
Balance at 31 March 2015	(12,526)	(22,815)	(34,125)	(69,466)	(75,053)	(50,475)	38,987	132	(86,409)	(155,875)
Movement in reserves during 2015/16										
Surplus on provision of services	(10,507)	0	0	(10,507)	0	0	0	0	0	(10,507)
Other comprehensive income and expenditure	0	0	0	0	0	(91)	(12,604)	0	(12,695)	(12,695)
Total Comprehensive I&E	(10,507)	0	0	(10,507)	0	(91)	(12,604)	0	(12,695)	(23,202)
Adjustments between accounting basis and funding basis under regulations (note 1)	11,864	(57)	5,964	17,771	(20,342)	0	2,590	(19)	(17,771)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	1,357	(57)	5,964	7,264	(20,342)	(91)	(10,014)	(19)	(30,466)	(23,202)
Transfers (to)/from Earmarked Reserves (note 1)	0	0	0	0	0	0	0	0	0	0
(Increase)/Decrease in 2015/16	1,357	(57)	5,964	7,264	(20,342)	(91)	(10,014)	(19)	(30,466)	(23,202)
Balance at 31 March 2016 carried forward	(11,169)	(22,872)	(28,161)	(62,202)	(95,395)	(50,566)	28,973	113	(116,875)	(179,077)

Comparative figures for year ended 31 March 2015

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Capital Adjustment Account £000	Revaluation Reserve £000	Pension Reserve £000	STACA Statutory Mitigation Account £000	Total Unusable Reserves £000	Total Partnership Reserves £000
Balance at 31 March 2014	(12,526)	(3,261)	(30,974)	(46,761)	(90,109)	(51,219)	30,143	187	(110,998)	(157,759)
Movement in reserves during 2014/15										
Surplus on provision of services	(4,057)	0	0	(4,057)	0	0	0	0	0	(4,057)
Other comprehensive income and expenditure	0	0	0	0	0	(403)	6,344	0	5,941	5,941
Total Comprehensive I&E	(4,057)	0	0	(4,057)	0	(403)	6,344	0	5,941	1,884
Adjustments between accounting basis and funding basis under regulations (note 1)	4,057	(19,554)	(3,151)	(18,648)	16,203	0	2,500	(55)	18,648	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	0	(19,554)	(3,151)	(22,705)	16,203	(403)	8,844	(55)	24,589	1,884
Transfers (to)/from Earmarked Reserves (note 1)	0	0	0	0	(1,147)	1,147	0	0	0	0
(Increase)/Decrease in 2014/15	0	(19,554)	(3,151)	(22,705)	15,056	744	8,844	(55)	24,589	1,884
Balance at 31 March 2015 carried forward	(12,526)	(22,815)	(34,125)	(69,466)	(75,053)	(50,475)	38,987	132	(86,409)	(155,875)

Notes to the Financial Statements

1. Movement in Reserves Statement (2015/16) – Adjustments between Accounting Basis and Funding Basis under Regulations

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000	Total £000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CIES:					
Charges for depreciation	(11,695)	0	0	11,695	0
Impairment of Property, Plant & Equipment	(1,469)	0	0	1,469	0
Revaluation reserve written out with depreciation	1,371	0	0	(1,371)	0
Revaluation losses on Property, Plant & Equipment	(1,202)	0	0	1,202	0
Movements in the fair value of Investment Properties	393	0	0	(393)	0
Amortisation of Intangible Assets	(191)	0	0	191	0
Capital grants and contributions applied to capital financing	24,511	0	0	(24,511)	0
Revenue expenditure funded from capital under statute	(21,439)	0	0	21,439	0
Amounts of non-current assets written off on disposal	(20)	0	0	20	0
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	1,357	0	0	(1,357)	0
Capital expenditure charged against the General Fund balances	22,565	0	0	(22,565)	0
Adjustments involving the Capital Receipts Reserve					
Transfer of sale proceeds credited to the CIES	157	(157)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	100	0	(100)	0
Adjustment involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the CIES	97	0	(97)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	6,061	(6,061)	0
Adjustments involving the Pensions Reserve:					
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES (see note 14)	(2,590)	0	0	2,590	0
Adjustments involving the Accumulating Compensated Absences Adjustment Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	19	0	0	(19)	0
Total Adjustments (1)	11,864	(57)	5,964	(17,771)	0
Opening General Fund balance 1 April 2015	(12,526)				
Surplus on CIES	(10,507)				
Total Adjustments as (1) above	11,864				
Closing General Fund balance 31 March 2016	(11,169)				

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

**1. Movement in Reserves Statement –
Adjustments between Accounting Basis and Funding Basis under Regulations (continued)**
Comparative Information for 2014/15

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000	Total £000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CIES:					
Charges for depreciation	(11,865)	0	0	11,865	0
Impairment of Property, Plant & Equipment	(2,176)	0	0	2,176	0
Revaluation reserve written out with depreciation	1,141	0	0	(1,141)	0
Movements in the fair value of Investment Properties	(121)	0	0	121	0
Amortisation of Intangible Assets	(1,007)	0	0	1,007	0
Revaluation reserve adjustment	(169)	0	0	169	0
Capital grants and contributions applied to capital financing	25,135	0	0	(25,135)	0
Revenue expenditure funded from capital under statute	(19,276)	0	0	19,276	0
Amounts of non-current assets written off on disposal	(23,423)	0	0	23,423	0
Insertion of items not debited or credited to the CIES:					
Capital expenditure charged against the General Fund balances	15,537	0	0	(15,537)	0
Adjustments involving the Capital Receipts Reserve					
Transfer of sale proceeds credited to the CIES	19,575	(19,575)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	21	0	(21)	0
Adjustment involving the Capital Grants Unapplied Account	3,151	0	(3,151)	0	0
Adjustments involving the Pensions Reserve:					
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES (see note 14)	(2,500)	0	0	2,500	0
Adjustments involving the Accumulating Compensated Absences Adjustment Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	55	0	0	(55)	0
Total Adjustments (1)	4,057	(19,554)	(3,151)	18,648	0
Opening General Fund balance 1 April 2014	(12,526)				
Surplus on CIES	(4,057)				
Total Adjustments as (1) above	4,057				
Closing General Fund balance 31 March 2015	(12,526)				

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

2. Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2014/15 £000		2015/16 £000
1,253	Pensions interest cost and expected return on pensions assets	1,226
1,007	Revaluation of Investment Property	(394)
(993)	Net rental income	(1,137)
(602)	Interest receivable and similar income	(787)
665	Total	(1,092)

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

2014/15 £000		2015/16 £000
(36,688)	Funding received as requisition from constituent local authorities	(43,763)
(1,165)	Scottish Government direct grant	(1,108)
0	Other Revenue Grant	(49)
(27,159)	Scottish Government Capital Grant	(21,997)
(722)	European Capital Grant	(282)
(404)	Other Capital Grant	(2,329)
(66,138)	Total	(69,528)

4. Balance Sheet – Usable Reserves

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

5. Balance Sheet – Unusable Reserves

31 March 2015 £000		31 March 2016 £000
(50,475)	Revaluation Reserve	(50,566)
(75,053)	Capital Adjustment Account	(95,395)
38,987	Pensions Reserve	28,973
132	Accumulating Compensated Absences Adjustment Account	113
(86,409)	Total Unusable Reserves	(116,875)

5. Balance Sheet – Unusable Reserves (continued)

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2014/15 £000		2015/16 £000
(51,219)	Balance at 1 April 2015	(50,475)
(1,964)	Upward revaluation of assets	(1,830)
420	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	368
1,141	Revaluation reserve written out with depreciation	1,371
1,147	Transfer to capital adjustment account	0
<u>(50,475)</u>	Balance at 31 March 2016	<u>(50,566)</u>

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by SPT.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

5. Balance Sheet – Unusable Reserves (continued)

Note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15 £000		2015/16 £000
(90,109)	Opening Balance	(75,053)
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
11,865	Charges for depreciation	11,695
2,176	Impairment of Property, Plant & Equipment	1,469
(1,141)	Revaluation reserve written out with depreciation	(1,371)
121	Revaluation losses on Property, Plant & Equipment	1,202
1,007	Movements in the fair value of Investment Properties	(393)
169	Amortisation of Intangible Assets	191
(25,135)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(24,511)
19,276	Revenue expenditure funded from capital under statute	21,439
23,423	Amounts of non-current assets written off on disposal	20
	Capital financing applied in the year:	
(15,537)	Capital Financed from Revenue	(23,922)
(21)	Transfer from Capital Receipts Reserve	(100)
0	Transfer from Capital Grants Unapplied Account	(6,061)
(1,147)	Transfer from Revaluation Reserve	0
(75,053)	Closing Balance	(95,395)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. SPT accounts for post employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed, as SPT makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources SPT has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2014/15 £000		2015/16 £000
30,143	Opening Balance	38,987
6,344	Actuarial gains or losses on pensions assets and liabilities	(12,604)
5,691	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	6,095
(3,191)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,505)
38,987	Closing Balance	28,973

5. Balance Sheet – Unusable Reserves (continued)

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2014/15 £000		2015/16 £000
187	Opening Balance	132
(55)	Settlement or cancellation of accrual made at the end of the preceding year	(19)
0	Amounts accrued at the end of the current year	0
<u>132</u>	Closing Balance	<u>113</u>

6. Cash Flow Statement – Non Cash Movements

2014/15 £000		2015/16 £000
(11,865)	Depreciation (note 1)	(11,695)
1,141	Revaluation reserve released (note 1)	1,371
(169)	Amortisation of intangible fixed assets (note 1)	(191)
(2,500)	Credit for retirement benefits (note 1)	(2,590)
(3,848)	Gain / (loss) on asset disposal (note 1)	137
(121)	Revaluation losses on Property, Plant and Equipment	(1,202)
(521)	Decrease in provisions for liabilities and charges	108
(19,276)	Revenue expenditure funded from capital (note 1)	(21,439)
(2,176)	Asset impairments (note 1)	(1,469)
(1,007)	Revaluation of investment property (note 1)	393
	Accruals adjustments:	
7	Decrease) / increase in inventory	141
19,563	Decrease) / increase in debtors	(21,313)
(16,729)	Increase in creditors	16,097
<u>(37,501)</u>	Net cash inflow from revenue activities	<u>(41,652)</u>

7. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2014/15 £000		2015/16 £000
(602)	Interest received (note 2)	(787)
<u>(602)</u>	Net cash flow from operating activities	<u>(787)</u>

8. Cash Flow Statement – Investing Activities

2014/15 £000		2015/16 £000
40,693	Purchase of property, plant and equipment, investment property, intangible assets and grants	54,594
10,107	Other payments for investing activities	(10,471)
(19,575)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(157)
<u>31,225</u>	Net cash flows from investing activities	<u>43,966</u>

9. Cash Flow Statement – Financing Activities

2014/15 £000		2015/16 £000
0	Repayments of short-term and long-term borrowing	0
0	Other payments for financing activities	0
<u>0</u>	Net cash flows from financing activities	<u>0</u>

10. Cash Flow Statement – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

2014/15 £000		2015/16 £000
46,611	Bank current accounts	54,804
<u>46,611</u>	Total cash and cash equivalents	<u>54,804</u>

11. Subjective Analysis of Comprehensive Income and Expenditure Statement

2014/15 £000		2015/16 £000
	Expenditure	
22,573	Employee costs	22,364
6,195	Premises costs	5,934
2,259	Supplies and services	2,670
547	Transport and plant	396
16,672	Third party payments	16,611
19,291	Financing costs (including depreciation and impairments)	14,019
19,277	Grant fund to Local Authorities and Others	21,439
1,253	Pension interest (income) / cost and expected return on pension assets	1,226
88,067	Net Cost of Service	84,659
	Income	
(28,064)	Government grants	(23,154)
(38,074)	Other grants, reimbursements & contributions	(46,374)
(25,384)	Fees, charges and other service income	(24,851)
(602)	Interest and investment income	(787)
(92,124)		(95,166)
(4,057)	Surplus on Provision of Services	(10,507)

12. Segmental Reporting

Decisions about resource allocations are taken by SPT's Partnership and Strategy and Programmes Committee's on the basis of budget reports analysed by directorates and subjective analysis. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure i.e. depreciation, impairments etc.
- the cost of retirement benefits is based on cash flows rather than the current service cost of benefits accrued in the year.
- expenditure on support services is budgeted for centrally and not directly charged to direct services.

12. Segmental Reporting (continued)

Strategy & Programmes Committee Report by Directorate 2015/16

Directorate	Gross Expenditure £000	Gross Income £000	Net Expenditure/ (Income) £000
Chief Executive			
Cabinet	625	0	625
Total Chief Executive	625	0	625
Operations			
Subway	20,754	(18,937)	1,817
Bus Operations	21,599	(3,908)	17,691
Projects	1,450	0	1,450
Health & Safety	155	0	155
Customer Standards	514	0	514
Total Operations	44,472	(22,845)	21,627
Business Support			
Finance & HR	1,261	0	1,261
Communications	617	0	617
Legal Services	324	0	324
Information Technology	710	0	710
Business Support	421	0	421
Elected Members	55	0	55
Corporate	(491)	(2,913)	(3,404)
Total Business Support	2,897	(2,913)	(16)
Subway Fund	10,586	0	10,586
Capital Funded from Revenue	5,596	0	5,596
Net Total	64,176	(25,758)	38,418

12. Segmental Reporting (continued)

Strategy & Programmes Committee Report by Subjective Grouping 2015/16

Subjective Grouping	Chief Executive £000	Subway £000	Bus Operations £000	Operations – Other £000	Business Support £000	Corporate £000	Total £000
Expenditure							
Employee costs	614	10,159	5,785	2,273	2,766	786	22,383
Premises costs	0	3,435	1,755	17	0	727	5,934
Supplies and Services	4	4,571	1,528	(215)	122	(3,340)	2,670
Transport and plant	7	6	373	4	6	0	396
Third party payments	0	2,583	12,158	40	494	1,336	16,611
Subway Fund	0	0	0	0	0	10,586	10,586
Capital funded from revenue	0	0	0	0	0	5,596	5,596
Total Expenditure	625	20,754	21,599	2,119	3,388	15,691	64,176
Income							
Customer and client receipts	0	(18,937)	(3,908)	0	0	(2,126)	(24,971)
Financing and investment income	0	0	0	0	0	(787)	(787)
Total Income	0	(18,937)	(3,908)	0	0	(2,913)	(25,758)
Net Total	625	1,817	17,691	2,119	3,388	12,778	38,418

12. Segmental Reporting (continued)

Reconciliation of directorate income and expenditure to cost of service in the Comprehensive Income and Expenditure Statement Grouping 2015/16

	Total £000
Committee Report Net Total	
Items included in committee report, which are not included in the Net Cost of Service with the Comprehensive Income and Expenditure Statement.	
Subway Fund	(10,586)
Capital Funded From Revenue	(5,596)
Investment Income	787
Rental Income	1,137
Grants	120
Total	(14,138)
Items included in Net Cost of Service within the Comprehensive Income and Expenditure Statement, which are not included in the committee report.	
Asset Disposal	20
Grant Fund to LA and others	21,439
Depreciation	11,886
Impairment of plant, property and equipment	1,469
IAS19 Adjustment	1,364
Revaluation loss on property, plant and equipment	1,202
Capital receipts reserve sale proceeds	(157)
Revaluation Reserve Adjustments	(1,371)
Holiday accrual	(19)
Total	35,833
Total Adjustment	21,695
Cost of Services per the Comprehensive Income and Expenditure Statement	60,113

12. Segmental Reporting (continued)

Strategy & Programmes Committee Report by Subjective Grouping 2014/15 comparative figures

Subjective Grouping	Chief Executive £000	Subway £000	Bus Operations £000	Operations – Other £000	Business Support £000	Corporate £000	Total £000
Expenditure							
Employee costs	594	9,939	5,575	2,271	2,848	1,400	22,627
Premises costs	0	3,468	1,793	23	1	910	6,195
Supplies and Services	2	3,746	1,445	(336)	107	(2,704)	2,260
Transport and plant	3	1	536	3	4	1	548
Third party payments	0	2,203	11,553	70	369	2,476	16,671
Subway Fund	0	0	0	0	0	10,428	10,428
Capital funded from revenue	0	0	0	0	0	5,802	5,802
Total Expenditure	599	19,357	20,902	2,031	3,329	18,313	64,531
Income							
Customer and client receipts	0	(19,252)	(3,002)	0	0	(3,257)	(25,511)
Financing and investment income	0	0	0	0	0	(602)	(602)
Total Income	0	(19,252)	(3,002)	0	0	(3,859)	(26,113)
Net Total	599	105	17,900	2,031	3,329	14,454	38,418

12. Segmental Reporting (continued)

Reconciliation of directorate income and expenditure to cost of service in the Comprehensive Income and Expenditure Statement Grouping 2014/15

	Total £000
Committee Report Net Total	38,418
Items included in committee report, which are not included in the Net Cost of Service with the Comprehensive Income and Expenditure Statement.	
Loan Charges / Subway Modernisation	(10,428)
Capital Funded From Revenue	(5,802)
Investment Income	602
Rental Income	993
Grants	127
Total	(14,508)
Items included in Net Cost of Service within the Comprehensive Income and Expenditure Statement, which are not included in the committee report.	
Asset Disposal	23,424
Grant Fund to LA and others	19,277
Depreciation	12,032
Impairment of plant, property and equipment	2,176
IAS19 Adjustment	1,247
Revaluation loss on property, plant and equipment	121
Capital receipts reserve sale proceeds	(19,575)
Revaluation Reserve Adjustments	(1,141)
Holiday accrual	(55)
Total	37,506
Total Adjustment	22,998
Cost of Services per the Comprehensive Income and Expenditure Statement	61,416

13. External Audit Costs

SPT 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 SPT's external auditor.

2014/15 £000		2015/16 £000
65	Fees payable with regard to external audit services carried out by the appointed auditor for the year	65
0	Fees payable for additional services	0
65	Total	65

14. Defined Benefit Pension Schemes

Participation in pension schemes

The post employment scheme for employees other than teachers is the Local Government Pension Scheme (LGPS), and is administered in the west of Scotland by Glasgow City Council in respect of all local authorities and admitted bodies in the former Strathclyde area. This is a multi-employer scheme in which it is possible for an employer to identify its share of the assets and liabilities on a consistent and reasonable basis. Employer's liabilities can be evaluated directly by the Actuary at any time on membership data. Individual employer assets have been apportioned to each employer since 2002. Prior to that date, each employer was considered to have the same funding as the whole Fund.

Benefits

- It is a defined benefit Career Average Revalued Earnings (CARE) scheme (defined benefit final salary scheme prior 1st April 2015), meaning that SPT and employees pay contributions into a fund, calculated at a level to balance the pensions liability with investment assets.
- The pensions accrual rate guarantees a pension based on 1/49th of average pensionable salary and years of pensionable services. (Prior to 2015, the accrual rate was 1/60th of final pensionable salary and years of pensionable services and prior to 2009, the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service.) There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance act 2004. The scheme's normal retirement age is 65. Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

Governance

- The Strathclyde Pension Fund is operated under the regulatory framework for the LGPS in Scotland and the governance of the scheme is the responsibility of the Strathclyde Pension Fund Committee. This committee is comprised solely of elected members of Glasgow City Council. Employing authorities (including SPT) are represented at the Strathclyde Pension Fund Board.
- Policy is determined in accordance with the Local Government Pension Scheme (Scotland) Regulations. Management of the Fund's investments is carried out by the Fund's Investment Advisory Panel which selects and appoints a number of external investment managers/partners and monitors their investment performance.
- Under the Regulations, employers fall into three categories, scheme employers (also known as schedule bodies), community admission bodies and transferee admission bodies. Admission agreements are generally assumed to be open-ended. SPT is classed as a scheme employer under regulation. However, either party can voluntarily terminate the admission agreement by giving an appropriate period of notice to the other parties. Any deficit arising from the cessation valuation will usually be levied on the departing admission body as a capital payment.

Principal Risks

- The principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amount due by statute as described in the accounting policy note.

Discretionary Post-employment Benefits

- Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when an award is made. There are no plan assets built up to meet these pension liabilities.

14. Defined Benefit Pension Schemes (continued)

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported Cost of Services when they are earned by SPT's employees, rather than when the benefits are eventually paid as pensions.

The following transactions have been made in the financial statements in 2015/16 and the prior year 2014/15.

	2014/15 £000	2015/16 £000
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services:		
Service cost comprising		
• current service cost	4,416	4,726
• past service costs (including curtailments)	22	143
• curtailments and unfunded benefits	0	0
Financing and Investment Income and Expenditure		
• net interest expense	1,253	1,226
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	5,691	6,095
Other Post Employment Benefit Charged to the CIES		
• expected return on scheme assets	(4,298)	1,001
• Re-measurements	10,642	(13,605)
Total Post Employment Benefit Charged to the CIES	12,035	(6,509)
Movement in Reserves Statement		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	2,500	2,590
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers' contributions payable to scheme	3,191	3,505
Pensions Assets and Liabilities Recognised in the Balance Sheet		
The amount included in the Balance Sheet arising from SPT's obligation in respect of its defined benefit plan is as follows:		
	2014/15 £000	2015/16 £000
Present value of scheme liabilities	(223,651)	(214,205)
Fair value of scheme assets	184,664	185,232
Deficit	(38,987)	(28,973)

14. Defined Benefit Pension Schemes (continued)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	2014/15 £000	2015/16 £000
Opening fair value of pension fund assets at 1st April	177,706	184,664
Interest income	7,196	5,665
Re-measurement gains and (losses)		
• The return on plan assets, excluding the amount included in the net interest expense	4,298	(1,001)
Contributions from employers	3,191	3,505
Contributions from employees into the scheme	989	998
Benefits paid	(8,716)	(8,599)
Closing balance at 31st March	184,664	185,232

Reconciliation of Present Value of the Scheme Liabilities

	2014/15 £000	2015/16 £000
Opening balance at 1st April	207,849	223,651
Current service cost	4,416	4,726
Interest cost	8,449	6,891
Contributions by Pension Fund participants	989	998
Re-measurement (gains) and losses:		
• Losses arising from changes in demographic assumptions	4,812	0
• Losses arising from changes in financial assumptions	13,609	(10,537)
• Other	(7,779)	(3,068)
Past service costs (including curtailments)	22	143
Benefits paid	(8,716)	(8,599)
Closing balance at 31st March	223,651	214,205

14. Defined Benefit Pension Schemes (continued)

Analysis of Pension Fund's Assets

SPT's share of the Pension Fund's assets at 31 March 2016 comprised:

	2014/15			2015/16		
	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000
Equity instruments (by industry type)						
• Consumer	17,447	4	17,451	17,368	4	17,372
• Manufacturing	13,820	115	13,935	13,757	120	13,877
• Energy & utilities	5,483	0	5,483	5,458	0	5,458
• Financial institutions	12,838	1	12,839	12,780	1	12,781
• Health & care	7,502	4	7,506	7,468	4	7,472
• Information technology	10,608	15	10,623	10,560	16	10,576
Sub-total equity	67,698	139	67,837	67,391	145	67,536
Bonds (by sector)						
• Corporate	0	1	1	0	0	0
Sub-total bonds	0	1	1	0	0	0
Property (by type)						
• UK Property	0	16,871	16,871	0	19,899	19,899
Sub-total property	0	16,871	16,871	0	19,899	19,899
Private equity	0	17,969	17,969	0	18,018	18,018
Other investment funds						
• Equities	1,942	51,040	52,982	1,611	46,469	48,080
• Bonds	0	23,380	23,380	0	22,608	22,608
• Commodities	70	0	70	63	0	63
• Infrastructure	0	624	624	0	0	0
• Other	0	336	336	0	2,600	2,600
Sub-total other investment funds	2,012	75,380	77,392	1,674	71,677	73,351
Derivatives	57	0	57	45	0	45
Cash and cash equivalents	0	4,537	4,537	6,185	198	6,383
Total assets	69,767	114,897	184,664	75,295	109,937	185,232

14. Defined Benefit Pension Schemes (continued)

Basis for Estimating Assets and Liabilities

SPT's share of the liabilities of The Strathclyde Pension Fund has been assessed on an actuarial basis using the projected unit method, that estimates the pension that will be payable in future years dependent upon assumptions about mortality rates and salary levels for example.

The Funds liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest full valuation of the Fund.

The significant assumptions used by the actuary have been:

Local Government Pension Scheme

	2014/15	2015/16
Long-term expected rate of return on assets in the scheme:		
Equity investments	3.1%	3.4%
Bonds	3.1%	3.4%
Property	3.1%	3.4%
Cash	3.1%	3.4%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	22.1	22.1
• Women	23.6	23.6
Longevity at 65 for future pensioners:		
• Men	24.8	24.8
• Women	26.2	26.2
Rate of CPI	2.1%	2.1%
Rate of increase in salaries	4.0%	4.1%
Rate of increase in pensions	2.1%	2.1%
Rate for discounting fund liabilities	3.1%	3.4%
Take-up of option to convert annual pension into retirement lump sum (Pre-April 2009)	50%	50%
Take-up of option to convert annual pension into retirement lump sum (Post-April 2009)	75%	75%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The methods and types of assumption used in preparing the sensitivity analysis below did not change from this used in the previous period.

14. Defined Benefit Pension Schemes (continued)

	Approximate % increase to Employer Liability	Approximate monetary amount £000
Change in assumptions at 31 March 2016		
0.5% decrease in Real Discount Rate	9%	20,209
1 year increase in member life expectancy	3%	6,426
0.5% increase in the Salary Increase Rate	3%	6,534
0.5% increase in the Pension Increase Rate	6%	13,312

In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme liabilities as at 31 March 2016 on a varying basis. The approach taken is consistent with that adopted to derive the IAS19 figures contained in this note.

Asset and Liability Matching (ALM) Strategy

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching strategy (ALM) as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested into narrow a range. The Fund invests in equities, bonds, properties and in cash.

Impact on the Authority's Cash Flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. Employer's contributions have been set at 19.3% for 2015-16 and the following year.

The total contributions expected to be made by SPT to Strathclyde Pension Fund in the year to 31st March 2017 is £2.942 million.

The weighted average duration of the defined benefit obligation for Fund members is 16.7 years (2014/15: 16.7 years).

15. Events after the Balance Sheet Date

The financial statements were authorised for issue by the Assistant Chief Executive (Business Support) on XX XXX 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

16. Related Parties

SPT is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence SPT. Disclosure of these transactions allows readers to assess the extent to which SPT 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.

16. Related Parties (continued)

Scottish Government and its agencies

During 2015/16 Transport Scotland, an agency of the Scottish Government, provided SPT with revenue grant funding of £1.108 million (2014/15: £1.165 million) and capital grants totalling £24.276 million (2014/15: £27.622 million). Grant receipts outstanding at 31 March 2016 were £3.0 million (2015: £3.371 million) and are included in Central Government Bodies (note 27 Debtors). Grants received but not utilised at 31 March 2016 were £25.376 million (2015: £27.15 million) and are included in Capital Grants Unapplied Account (note 1).

Members and the 12 Local Authorities in Strathclyde

Nominated members from each of the 12 Local Authorities in Strathclyde have direct control over SPT's financial and operating policies. The total of members' allowances paid during 2015/16 is shown in the Remuneration Report.

During 2015/16 the 12 Local Authorities in Strathclyde provided funding totalling £37.381 million (2014/15: £37.381 million) in the form of requisition. Glasgow City Council also provided SPT with revenue funding of £0.049m for a Future Cities project. Funding received in advance at 31 March 2016 was £24.560 million (2015: £30.944 million), with £9.810 million (2015: £21.714 million) included within Receipts in Advance (note 29 Long Term Creditors) and £14.75 million (2014: £9.23 million) within Other Local Authorities (note 28 Creditors).

During 2015/16 Glasgow City Council provided SPT with capital funding (as either grants or contributions) of £0.282 million (2014/15: £0.404 million). Capital funding outstanding at 31 March 2016 was £0.033 million (2015: £0.035 million) and is included within Other Local Authorities (note 27 Debtors).

During 2015/16 SPT provided capital grants totalling £18.841 million (2014/15: £17.623 million) to Local Authorities within the SPT area in support of various transport improvement projects. Grant payments outstanding at 31 March 2016 were £11.102 million (2015: £7.744 million) and are included in Other Local Authorities (note 28 Creditors).

Strathclyde Concessionary Travel Scheme (SCTS)

SPT provides SCTS with administrative and overhead support, as well as sharing a number of the same board members. During 2015/16 SPT charged £0.325 million (2014/15: £0.311 million) to SCTS for the provision of these services. Charges outstanding at 31 March 2016 were £0.325 million (2015: £0.311 million) and are included in Amounts Due From SCTS (note 27 Debtors).

Nevis Technologies Limited

SPT owns 49% of the ordinary shares in Nevis Technologies Limited, a joint venture between SPT and Ecebs Limited for the provision of a smartcard ticketing and payment service.

During 2015/16 SPT approved capital grants and direct payments totalling £0.224 million (2014/15: £0.209 million) to Nevis Technologies Limited in support of the development of a smartcard ticketing and payment service. Payments outstanding at 31 March 2016 were £0.069 million (2015: £0.007 million) and are included in Bodies External to General Government (note 28 Creditors).

17. Agency Activities

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

Total Costs 2014/15 £000		Administration Recharge £000	Direct Service Payments £000	Total Costs £000
27,894	School and Vocational Transport	1,000	26,615	27,615
775	Bus Shelter Maintenance	221	711	933
4,264	Strathclyde Concessionary Travel Scheme	331	3,923	4,254
32,933	Year to 31 March 2016	1,552	31,249	32,801

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

18. Leases

SPT as Lessee

Finance Leases

SPT does not currently have any leases that meet the definition of a finance lease (2015/16: £0 million).

Operating Leases

SPT has entered into a number of low value lease agreements.

The future minimum lease payments due under non-cancellable leases in future years are:

2014/15 £000		2015/16 £000
15	Not later than one year	32
4	Later than one year and not later than five years	123
54	Later than five years	53
<u>73</u>		<u>208</u>

19. Investment Properties

The following items of income and expense have been accounted for in the CIES:

2014/15 £000		2015/16 £000
(993)	Rental income from investment property	(1,137)
0	Direct operating expenses arising from investment property	0
<u>(993)</u>	Net	<u>(1,137)</u>

There are no restrictions on SPT's ability to realise the value inherent in its investment property or on SPT's right to the remittance of income and the proceeds of disposal.

The following table summarises the movement in the fair value of investment properties over the year:

2014/15 £000		2015/16 £000
13,269	Balance at start of the year	5,949
(6,313)	Additions/disposals	0
(1,007)	Net gains/(losses) from fair value adjustments	393
0	Transfers from/(to) Property, Plant and Equipment	0
<u>5,949</u>	Balance at end of the year	<u>6,342</u>

20. Intangible Assets

SPT accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to SPT. The useful lives assigned to the major software suites used by SPT are 3 years.

The carrying amount of intangible assets is amortised on a straight-line basis.

20. Intangible Assets (continued)

The movement on Intangible Asset (Software and other intangibles) balances during the year is as follows:

2014/15 £000		2015/16 £000
	Balance at start of the year	
1,803	Gross carrying amounts	1,915
(1,027)	Accumulated amortisation	(1,196)
776	Net carrying amount at start of year	719
75	Additions	89
37	Transfers cost	0
(169)	Amortisation for the period	(191)
719	Net carrying amount at the end of the year	617
	Comprising:	
1,915	Gross carrying amounts	2,004
(1,196)	Accumulated amortisation	1,387
719		617

21. Impairment Losses

During 2015/16 SPT has recognised a management assessed impairment loss of £1.517 million (2014/15: £2.176 million) in relation to its Subway and Bus Operations assets.

The costs incurred on the upgrade of Subway Stations and the preparatory work for other stations was reviewed to ascertain if the cost of work done to date would increase that asset value by a similar or lesser amount.

As a result of the Manufacture & Supply Agreement being signed for the new trains and associated equipment, a review was undertaken of all Subway assets being replaced under this contract to determine if any would be rendered obsolete ahead of their scheduled useful life.

Following the implementation of a Fleet Renewal Programme, a review was undertaken of existing fleet assets to determine if any required accelerated replacement.

The resulting impairment losses have been charged to the Subway Operations and Bus Operations lines in the CIES, and to the Revaluation Reserve as follows:

	CIES £000	Revaluation Reserve £000	Total £000
Property, Plant & Equipment (note 22):			
Land & Buildings: costs incurred in upgrading subway station buildings	918	48	966
Plant & Machinery: remaining useful life of train wash equipment reduced in line with planned investment in new assets	490	0	490
Rolling Stock & Vehicles: carrying amount of buses reduced to estimated residual value	61	0	61
Total	1,469	48	1,517

22. Property, Plant and Equipment
Movements in 2015/16

	Land & Buildings £000	Plant & Machinery £000	Rolling Stock & Vehicles £000	Infra-structure Assets £000	Sundry Assets £000	Assets Under Construction £000	Investment Properties £000	Total £000
Cost or Valuation								
At 1 April 2015	96,820	9,113	40,600	48,404	11,753	6,319	5,949	218,958
Additions	13,241	154	2,481	11,094	2,503	3,593	0	33,066
Revaluation increases/(decreases) recognised in the Revaluation Reserve	223	0	0	0	0	0	0	223
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,726)	0	0	0	0	0	393	(3,333)
Derecognition – Disposals	0	(696)	(2,680)	0	(1,949)	0	0	(5,325)
Transfers	399	0	0	0	0	(399)	0	0
At 31 March 2016	106,957	8,571	40,401	59,498	12,307	9,513	6,342	243,589
Accumulated Depreciation and Impairment								
At 1 April 2015	4,907	3,107	33,986	35,892	8,776	0	0	86,668
Depreciation charge	3,666	266	2,400	2,916	2,447	0	0	11,695
Depreciation written out to the Revaluation Reserve	(1,068)	0	0	0	0	0	0	(1,068)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(567)	0	0	0	0	0	0	(567)
Impairment losses/(reversals) recognised in the Revaluation Reserve	(171)	0	0	0	0	0	0	(171)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,040)	490	62	0	0	0	0	(488)
Derecognition – Disposals	0	(696)	(2,670)	0	(1,939)	0	0	(5,305)
Transfers	0	0	0	0	0	0	0	0
At 31 March 2016	5,727	3,167	33,778	38,808	9,284	0	0	90,764
Net Book Value								
At 31 March 2016	101,230	5,404	6,623	20,690	3,023	9,513	6,342	152,825
At 31 March 2015	91,913	6,006	6,614	12,512	2,977	6,319	5,949	132,290

22. Property, Plant and Equipment (continued)
Comparative Movements in 2014/15

	Land & Buildings £000	Plant & Machinery £000	Rolling Stock & Vehicles £000	Infra-structure Assets £000	Sundry Assets £000	Third Party Rolling Stock £000	Assets Under Construction £000	Investment Properties £000	Total £000
Cost or Valuation									
At 1 April 2014	88,958	9,075	37,330	45,250	10,325	27,343	5,191	13,269	236,741
Additions	12,251	38	3,210	3,154	1,405	0	1,284	0	21,342
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,135	0	0	0	0	0	0	0	1,135
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,237)	0	0	0	0	0	0	(1,007)	(3,244)
Derecognition – Disposals	(3,300)	0	0	0	(23)	(27,343)	0	(6,313)	(36,979)
Transfers	13	0	60	0	46	0	(156)	0	(37)
At 31 March 2015	96,820	9,113	40,600	48,404	11,753	0	6,319	5,949	218,958
Accumulated Depreciation and Impairment									
At 1 April 2014	2,442	2,843	31,327	33,243	6,820	12,033	0	0	88,708
Depreciation charge	2,953	264	2,659	2,649	1,972	1,368	0	0	11,865
Depreciation written out to the Revaluation Reserve	(409)	0	0	0	0	0	0	0	(409)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(279)	0	0	0	0	0	0	0	(279)
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	339	0	0	0	0	0	0	0	339
Derecognition – Disposals	(139)	0	0	0	(16)	(13,401)	0	0	(13,556)
Transfers	0	0	0	0	0	0	0	0	0
At 31 March 2015	4,907	3,107	33,986	35,892	8,776	0	0	0	86,668
Net Book Value									
At 31 March 2015	91,913	6,006	6,614	12,512	2,977	0	6,319	5,949	132,290
At 31 March 2014	86,516	6,232	6,003	12,007	3,505	15,310	5,191	13,269	148,033

22. Property, Plant and Equipment (continued)

Capital Commitments

SPT has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment. The major commitments are:

Service	Outstanding Commitments as at 31 March 2016 £000	Contract Completion Dates
Subway Modernisation	182,373	Various
Subway Infrastructure	19,629	Various
Bus Operations	647	Various
Subway Operations	126	Various
Other Directorates	1,596	Various
Total	204,371	

Revaluations – Land and Buildings

To comply with the Code, SPT has completed a revaluation exercise on all land and buildings owned by SPT. The land and buildings were revalued at 31 March 2014 by external valuers, the District Valuer.

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. The District Valuer confirmed that the valuations were provided on the following basis:

“The valuations incorporated in these financial statements have been provided by District Valuer Services of the Valuation Office Agency in the capacity of External Valuer. The date of valuation is 31 March 2014 and in accordance with the requirements of the RICS Valuation Standards the valuation of each property was on the following bases and assumptions:

- For owner occupied property: valued to Fair Value (FV), Existing Use Value (EUV) assuming that the property would be sold as part of the continuing business;
- For investment property: valued to Market Value assuming that the property would be subject to any existing leases.

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

- comparable recent market transactions on arm’s length terms;
- the depreciated replacement cost approach because the specialised nature of the asset means that there are no market transactions of this type of asset except as part of the business or entity.

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

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

The revaluation exercise in 2014 excluded Hillhead Subway Station and Hamilton Bus Station since these properties were revalued in 2012 following completion of extensive modernisation work. Management have considered the revaluation exercise performed in 2012 and, as they are not aware of any material change in value, the valuations have not been updated for these two properties.

Management have considered the valuations performed in 2014. As they are not aware of any material change in value, these valuations have not been updated with the exception of Kelvinhall Subway Station, Broomloan Depot, new Headquarters, St Enoch Subway Station, Buchanan Subway Station and Govan Subway Station.

22. Property, Plant and Equipment (continued)

Valuations have been carried out at 31 March 2015 by external valuers, the District Valuer, of Kelvinhall Subway Station and Broomloan Depot following extensive modernisation work and of the new Headquarters purchased during 2014/15. Revaluation gains and losses have been recognised for these properties.

Valuations have been carried out at 31 March 2016 by external valuers, the District Valuer, of St Enoch Subway Station and Buchanan Subway Station following extensive modernisation work. Revaluation gains and losses have been recognised for these properties.

Extensive modernisation work at Govan Subway Station is due to be completed in early 2016/17 and this property will be revalued at that time. The costs incurred to 31 March 2016 were reviewed to ascertain if they would increase that asset value by a similar or lesser amount and an impairment loss has been recognised.

Revaluations – Non-operational investment and land properties

As required by the Code, an annual valuation of non-operational investment and land properties was conducted at 31 March 2016. This exercise was conducted by SPT's Estates Surveyor and then reviewed by external valuers, the District Valuer, in order to comply with the Code.

23. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by SPT, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by SPT that has yet to be financed. The CFR is analysed in the second part of this note.

2014/15 £000		2015/16 £000
0	Opening Capital Financing Requirement	0
	Capital investment	
21,342	Property, Plant and Equipment	33,066
75	Intangible Assets	89
19,276	Revenue expenditure funded from capital under statute	21,439
	Sources of finance	
(21)	Capital receipts	(100)
(25,135)	Government grants and other contributions	(30,572)
(15,537)	Revenue contributions*	(23,922)
<u>0</u>	Closing Capital Financing Requirement	<u>0</u>

*The £23.922 million in 2015/16 is comprised of £6.953 million of direct revenue contributions to capital (2014/15: £5.802 million) and £16.969 million contribution from the "Subway Fund" (2014/15: £9.735 million), which is represented in the balance sheet as Long Term Creditors.

24. Heritage Assets

SPT's Heritage assets consist of low value pieces of artwork that are displayed at various locations throughout the SPT area. All of the art work has an individual value of less than £100,000 and therefore has not been separately identified within these accounts.

25. Assets Held for Sale

As at 31 March 2016, SPT had no Assets Held for Sale, consistent with the position at 31 March 2015.

26. Inventories

31 March 2015 £000		31 March 2016 £000
171	Balance outstanding at start of year	178
958	Purchases	1,240
(951)	Recognised as an expense in the year	(1,099)
0	Written off balances	0
178	Balance outstanding at year-end	319

27. Debtors

31 March 2015 £000		31 March 2016 £000
23,322	Bodies external to general government	2,741
5,716	Central government bodies	4,939
749	Other local authorities	627
311	Amounts due from SCTS	325
54	NHS Bodies	207
30,152	Total	8,839

28. Creditors

31 March 2015 £000		31 March 2016 £000
10,760	Bodies external to general government	12,172
14,402	Central government bodies	633
18,030	Other local authorities	26,206
1	Amounts due to SCTS	1
12	NHS Bodies	0
1,564	Public corporations and trading funds	1,564
44,769	Total	40,576

29. Long Term Creditors

31 March 2015 £000		31 March 2016 £000
21,714	Receipts in advance – Other local authorities	9,810
21,714	Total	9,810

30. Provisions

	Injury and Damage Compensation			Total
	Claims £000	Employee £000	Legal Claim £000	£000
Balance at 1 April 2015	302	439	0	741
Additional provisions made in 2015/16	69	128	203	400
Amounts used in 2015/16	(71)	(210)	0	(281)
Unused amounts reversed in 2015/16	(227)	0	0	(227)
Balance at 31 March 2016	73	357	203	633

The Injury and Damage Compensation Claims provision relate to public or employee liability claims that have been raised against SPT and are a best estimate of the potential liability to SPT.

The employee provision takes account of the estimated costs of planned legislative changes.

The legal claim provision takes account of estimated legal fees.

31. Contingent Liabilities

SPT is currently subject to a legal challenge. Having taken legal advice, the Partnership is confident that the legal challenge is without merit and there is unlikely to be an outflow of economic benefit. A provision for the claim has therefore not been recognised.

32. Grant Income

SPT credited the following grants and contributions to the CIES in 2015/16:

	2014/15 £000	2015/16 £000
Grants received		
Scottish Government - Revenue Grant	1,165	1,108
Local Authority Requisition	36,688	43,763
Other Grants and Contributions - Revenue	0	49
Scottish Government - Capital Grant	27,159	21,997
European Grants – Capital	722	2,329
Other Grants and Contributions – Capital	404	282
Total	66,138	69,528

All of the above grants were credited to the "Taxation and Non-specific Grant Income" line on the Comprehensive Income and Expenditure Account. Not all of the Scottish Government - Capital Grant was applied during the year and therefore £0.097 million (2014/15: £2.891 million) was transferred to unapplied capital grants, within useable reserves (see Movement in Reserves Statement, page 24).

33. Financial Instruments

SPT is debt free with all historic debt being repaid to Glasgow City Council (GCC) during 2010/11. As a consequence, SPT currently has no debt related financial instruments disclosure requirements and the following disclosure covers all areas relevant to SPT's activities.

33. Financial Instruments (continued)

Financial Instruments Gains / Losses / Expenses charged during 2015/16 (at amortised cost)

The gain incurred by SPT in 2015/16 was an interest gain of £0.787 million. There was no expense as SPT is debt free at present.

Nature and extent of risks arising from financial instruments

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

Credit Risk

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

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

Amount as at 31 March 2015 £000		Amount as at 31 March 2016 £000	Historical Experience of Non-payment Adjusted for Market Conditions %	Estimated Maximum Exposure to Default and Uncollectability £000
101,195	Deposits with banks and other financial institutions	96,588	0	0
1,194	Customers	949	0.1	1
102,389	Total	97,537		1

SPT does not normally allow credit for customers, and therefore £0.473 million of the £0.949 million balance is past its due date for payment. The amount can be analysed as follows:

31 March 2015 £000	Age	31 March 2016 £000
1,166	Less than 3 months	876
15	3 to 6 months	56
0	6 months to 1 year	16
13	More than 1 year	1
1,194	Total	949

SPT held no bank overdraft facility as at 31 March 2016. Trade creditors amounted to £9.482 million.

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

Market Risk

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

SPT's strategy for managing interest rate risk is covered in its Treasury Management Strategy. Taking cognisance of interest rate forecasts during the year, fixed rate investments may be taken for longer periods to secure better long term returns.

33. Financial Instruments (continued)

According to these investment strategies, as at 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2015 £000	Estimated Financial Effect	31 March 2016 £000
(895)	Increase in interest receivable on variable rate investments	(1,083)
(895)	Net theoretical impact on I&E Account	(1,083)

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

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

Further to the disclosures made in the preceding comments, a number of potential disclosures relating to Financial Instruments do not apply to SPT for this financial year due to the limited complexity and profile of loans (none) and investments included in SPT's financial statements. These are summarised below:

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

34. Interests in companies and other entities

During 2011/12 SPT acquired 49% of the ordinary shares in Nevis Technologies Limited, a company registered in Scotland, at a cost of £4,999. Nevis Technologies Limited is a joint venture between SPT and Ecebs Limited for the provision of a smartcard ticketing and payment service. This interest is recorded as a long-term investment at cost. Details of the transactions between SPT and Nevis Technologies can be found in Note 16, Related Party Transactions on page 44.

Group financial statements have not been prepared on the grounds of materiality.

Remuneration Report

All information contained within the tables in the Remuneration Report has been audited by KPMG. The other sections of the Remuneration Report were reviewed by KPMG to ensure that they are consistent with the financial statements.

The remuneration paid to SPT's senior employees is as follows:

Total Remuneration 2014/15 £		Salary, Fees and Allowances £	Total Remuneration 2015/16 £
138,381	Gordon MacLennan: Chief Executive	140,434	140,434
117,626	Valerie Davidson: Assistant Chief Executive (Business Support)	119,371	119,371
117,626	Eric Stewart: Assistant Chief Executive (Operations)	119,371	119,371
373,633	Total	379,176	379,176

The senior employees included in the table are those who have responsibility for management of SPT to the extent that the person has power to direct or control the major activities of the organisation (including activities involving the expenditure of money), during the report to which the Report relates, whether solely or collectively with other persons.

The salary of senior employees is set by reference to national local authority arrangements. The Scottish Joint Negotiating Committee for Local Authority Services sets the salaries for the Chief Executives of Scottish Local Authorities. SPT sets the salary of the Chief Executive with reference to this framework. The salaries of the Assistant Chief Executives and Directors are based on a percentage of the Chief Executive's salary. Assistant Chief Executive's receive approximately 85% of the Chief Executive's salary and Directors receive approximately 75% of Assistant Chief Executive's salary. These arrangements were approved by the Partnership on 24 March 2006.

The remuneration paid to SPT's Senior Councillors is as follows:

Total Remuneration 2014/15 £		Salary, Fees and Allowances £	Total Remuneration 2015/16 £
20,638	James Coleman, Chair to 01/11/2015	12,825	12,825
0	Jonathon Findlay, Chair from 11/12/2015	5,728	5,728
11,354	Denis McKenna, Vice Chair	11,467	11,467
11,354	Kaye Harmon, Vice Chair	11,467	11,467
43,346	Total	41,487	41,487

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004. However these regulations do not apply directly to Regional Transport Authorities including SPT. Remuneration of councillors, namely the Chair and Vice-Chairs, is made under the previous powers of Strathclyde Passenger Transport Authority which were transferred to SPT. SPT has however adopted the principles outlined in the legislation in so far as is practicable. The level of payment to the Chair and Vice Chair(s) was approved by the Partnership on 31 May 2007.

Remuneration paid to Councillors

SPT paid the following amounts to members (including Senior Councillors) of the Partnership during the year.

2014/15 £000		2015/16 £000
0	Salaries	0
43	Allowances	41
3	Expenses	3
46	Total	44

SPT is committed to promoting openness and transparency and therefore publishes Members' expenses at www.spt.co.uk.

The pension entitlements of Senior Employees for the year to 31 March 2016 are shown in the table below together with the contribution made by SPT to each Senior Employee's pension during the year:

	In-year pension contributions			Accrued pension benefits	
	Year to 31 March 2015 £	Year to 31 March 2016 £		Year to 31 March 2015 £	Year to 31 March 2016 £
Gordon Maclennan: Chief Executive (1)	26,708	27,104	Pension	18,143	21,290
			Lump Sum	12,791	12,983
Valerie Davidson: Assistant Chief Executive (Business Support) (2)	22,702	23,039	Pension	43,535	46,632
			Lump Sum	95,210	96,639
Eric Stewart: Assistant Chief Executive (Operations) (3)	22,702	23,039	Pension	18,885	21,612
			Lump Sum	21,260	21,579

- (1) The pension figures shown relate to the benefits that the person has accrued from their current appointment only
- (2) The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.
- (3) The pension figures shown relate to the benefits that the person has accrued from their current appointment only, but includes a transfer in from another scheme.

Remuneration of councillors in SPT is not pensionable.

Employees

Pension benefits for local government employees are provided through the Local Government Pension Scheme (LGPS).

For local government employees this is a Career Average Revalued Earnings (CARE) pension scheme. This means that pension benefits are based on average pay and the number of years that person has been a member of the scheme.

The scheme's normal retirement age for employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers for 2015-16 have increased from 2014-15 rates and are as follows: Whole time pay	Contribution rate 2015-16	Contribution rate 2014-15
On earnings up to and including £20,500	5.5%	
On earnings above £20,500 and up to £25,000	7.25%	
On earnings above £25,000 and up to £34,400	8.5%	
On earnings above £34,400 and up to £45,800	9.5%	
On earnings above £45,800	12%	
On earnings up to and including £20,335		5.5%
On earnings above £20,335 and up to £24,853		7.25%
On earnings above £24,853 and up to £34,096		8.5%
On earnings above £34,096 and up to £45,393		9.5%
On earnings above £45,393		12%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49th of final pensionable salary and years of pensionable service, (prior to 2015 the accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

SPT's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions and including severance payments):

Remuneration band	2014/15 Number of employees	2015/16 Number of employees
£50,000 - £54,999	10	12
£55,000 - £59,999	7 (1)	8 (1)
£60,000 - £64,999	8	10 (2)
£65,000 - £69,999	4 (1)	3
£70,000 - £74,999	0	1 (1)
£75,000 - £79,999	0	1
£80,000 - £84,999	0	0
£85,000 - £89,999	1	2
£90,000 - £94,999	1	0
£95,000 - £99,999	0	1
£100,000 - £104,999	1 (1)	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	2	2
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	1	0
£140,000 - £144,999	0	1
£145,000 - £149,999	0	0

Figures in brackets represent the number of employees in the year whose remuneration includes severance payments.

Exit Packages

The number of exit packages with total cost per band and total cost of all redundancies are set out in the table below:

Exit package cost band	2014/15 Number of compulsory redundancies	2014/15 Number of other departures	2015/16 Number of compulsory redundancies	2015/16 Number of other departures	2014/15 Total number of exit packages by cost band	2015/16 Total number of exit packages by cost band	2014/15 Total cost of exit packages £000	2015/16 Total cost of exit packages £000
£0 - £20,000	0	4	0	2	4	2	40	25
£20,001 - £40,000	0	3	0	2	3	2	85	59
£40,001 - £60,000	0	0	0	3	0	3	0	141
£60,001 - £80,000	0	0	0	1	0	1	0	65
£80,001 - £100,000	0	3	0	0	3	0	271	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
Total	0	10	0	8	10	8	396	290

Jonathan Findlay
Chair
xx xxxx 2016

Gordon MacIennan
Chief Executive
xx xxxx 2016