



## Annual Financial Statements and Accounts 2020/21

**Committee**            Audit and Standards

**Date of meeting**    27 August 2021

**Date of report**    18 August 2021

### Report by Director of Finance

#### 1. Object of report

To provide the Committee with the audited annual financial statements and accounts for financial year ending 31 March 2021 for Strathclyde Partnership for Transport (SPT) and Strathclyde Concessionary Travel Scheme Joint Committee (SCTSJC) for final scrutiny prior to their submission to the Partnership and SCTSJC for approval on 17 September 2021.

#### 2. Background

The Committee considered the unaudited accounts of both SPT and SCTSJC for the financial year 2020/21 at its meeting on 4 June 2021, prior to these being formally submitted to the external auditor, Azets.

The annual accounts of both bodies are prepared in line with proper accounting practice and are required to be audited and signed by 30 September 2021. SCTSJC agreed previously that, as common systems were utilised, it was appropriate that SPT's Audit & Standards Committee would scrutinise the annual accounts on its behalf, and these would subsequently be submitted to the next available Joint Committee for noting. For 2020/21 the SCTSJC annual financial statements and accounts will be presented to the SCTSJC for consideration and approval on 17 September 2021.

#### 3. Outline of proposals

Attached to this report are the annual financial statements and accounts for SPT and SCTSJC for the financial year 2020/21. These have been prepared in accordance with the recognised standards and the appropriate Accounting Code of Practice.

There have been no significant changes to the accounts of either SPT or SCTSJC as a result of the audit process since they were previously considered by the Committee on 4 June 2021.

Azets have expressed an opinion that the financial statements represent a true and fair view of the Partnership's financial affairs, and similarly for the SCTSJC.

#### 4. Committee action

The Committee is asked to note the annual accounts for SPT and SCTSJC for the financial year 2020/21 and, if appropriate, agree that these should be submitted to the Partnership and SCTSJC respectively for approval on 17 September 2021.

## 5. 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>
Equalities consequences	<i>None.</i>
Risk consequences	<i>None.</i>

**Name** Neil Wylie  
**Title** **Director of Finance**

**Name** Valerie Davidson  
**Title** **Acting Chief Executive**

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



Strathclyde Partnership for Transport  
Annual Accounts  
for the year ended 31 March 2021





# Strathclyde Partnership for Transport Annual Accounts for the year ended 31 March 2021

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# Members of Strathclyde Partnership for Transport

Members of the Partnership as at 31 March 2021

## Member

**Councillor Graham Hardie**  
**Councillor Jim Roberts**  
**Councillor Alan Moir (Vice Chair)**  
**Councillor Alan Lafferty**  
**Councillor Malcolm Balfour**  
**Councillor Martin Bartos (Chair)**  
**Councillor Graham Campbell**  
**Councillor Richard Bell**  
**Councillor Anna Richardson**  
**Councillor David Wilson (Vice Chair)**  
**Councillor Donald Reid**  
**Councillor Colin Cameron**  
**Councillor William Goldie**  
**Councillor Michael McPake**  
**Councillor Marie McGurk**  
**Councillor Ian Cochrane**  
**Councillor Maureen Devlin**  
**Councillor Richard Nelson**  
**Councillor David Shearer**  
**Councillor Marie McNair**  
**Gregory Beecroft**  
**Brian Davidson**  
**Ann Faulds**  
**Anne Follin**  
**Graham Johnston**  
**Alex Macaulay**  
**Jim McNally**

## Representing

Argyll & Bute Council  
East Ayrshire Council  
East Dunbartonshire Council  
East Renfrewshire Council  
Glasgow City Council  
Glasgow City Council  
Glasgow City Council  
Glasgow City Council  
Glasgow City Council  
Inverclyde Council  
North Ayrshire Council  
North Lanarkshire Council  
North Lanarkshire Council  
North Lanarkshire Council  
Renfrewshire Council  
South Ayrshire Council  
South Lanarkshire Council  
South Lanarkshire Council  
South Lanarkshire Council  
West Dunbartonshire Council  
Appointed Member  
Appointed Member  
Appointed Member  
Appointed Member  
Appointed Member  
Appointed Member  
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 4 occasions during 2020/21.

The directors of the organisation are defined as the **Chief Executive, Gordon MacIennan and Assistant Chief Executive, Valerie Davidson.**

## Secretary / Treasurer

**Valerie Davidson**  
Assistant Chief Executive  
Strathclyde Partnership for Transport  
131 St. Vincent Street  
Glasgow  
G2 5JF

## Address for Correspondence

**Neil Wylie**  
Director of Finance  
Strathclyde Partnership for Transport  
131 St. Vincent Street  
Glasgow  
G2 5JF

# Management Commentary

## Introduction

This management commentary puts the annual accounts 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 and a population of 2.14 million people.

SPT's Partnership Board is made up of 20 elected members representing 12 constituent councils, and in 2020/21 there were eight Appointed Members.

The Partnership is chaired by Councillor Dr Martin Bartos along with Vice Chairs Councillor Alan Moir and Councillor David Wilson. A full list of SPT's current members can be found at [www.spt.co.uk/corporate/about/our-team/members/](http://www.spt.co.uk/corporate/about/our-team/members/). The Partnership's policies and decisions are implemented by SPT staff under the strategic direction of Chief Executive, Gordon MacLennan and Assistant Chief Executive Valerie Davidson, supported by other senior management.

SPT is at the heart of the region's transport planning, operations and project delivery; working to develop an integrated network now and for the future. We provide subsidised contracted 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, transport information and are a key influence in the design of the bus network. These services continued throughout 2020/21 despite the significant challenges experienced throughout the year as a result of the COVID-19 pandemic. As a consequence, operational and financial performance measures differ greatly in 2020/21 from the historic norms.

SPT organises the biggest school run in Scotland – ensuring around 35,000 pupils get to and from school every day. We control and operate Buchanan, East Kilbride, Hamilton, Greenock, Partick and Govan bus stations with over 1 million bus service departures from our stations this 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 just under 2.5 million passengers (2019/20: 12.8 million) in 2020/21.

Despite the restrictions arising from the pandemic we continued with modernisation of the Subway which will transform the network and enhance our customers' travel experience, including work on the delivery of the contracts for the manufacture and delivery of new rolling stock, signalling and control systems, control room and associated equipment. In addition, work continued to ensure the integrity of Subway tunnels and infrastructure.

SPT's Subway continues to operate its Smartcard ticketing system, with to date more than 243,000 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. In spite of significant restrictions on travel throughout the year, customers still made 1.4 million essential journeys using ZoneCards.

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. This collaborative work with stakeholders has been more important than ever given the challenges of the last year.

'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; and
- 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. A new RTS for Strathclyde is currently under development.

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, in addition to creating new responsibilities, effectively transferred the functions of Strathclyde Passenger Transport Authority (SPTA) and Executive (SPTE) to SPT as 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.

The four Strategic Outcomes of the RTS as noted above, and an additional corporate priority of 'Improved service delivery' remained SPT's priority during 2020/21. However, the operating environment across all services was significantly altered and variable through the year as a result of COVID-19. The impact of the pandemic meant a strengthened focus on providing reliable, safe access to public and school transport, flexing service provision in line with government guidance and responding to changing circumstances throughout the year. Protecting our staff and customers at all times was paramount.

## Performance Reporting

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

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

In addition, the full year performance is reported in the Annual Report 2021 and can be found at:

[spt.co.uk/corporate/about/annualreport](https://spt.co.uk/corporate/about/annualreport)

## Treasury Management

SPT has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2017)', including the creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of SPT's treasury management activities. SPT publishes an annual Treasury Management Strategy for the year ahead and annual Treasury Management Report for the year past, including a commentary on compliance. The 2020/21 Treasury Management Strategy can be found at:

[spt.co.uk/documents/latest/SP070220\\_Agenda9.pdf](https://spt.co.uk/documents/latest/SP070220_Agenda9.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 the impact of the COVID-19 pandemic. Risks are reviewed regularly and reported to each Audit & Standards Committee for scrutiny and can be found at:

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



## Look Ahead

### COVID-19 Pandemic

The COVID-19 Pandemic has had a material impact on a number of aspects of SPT's operations throughout 2020/21. The duration of these impacts and also the path back to 'normal' operations remains unknown at this point, but SPT will continue to work with all relevant bodies, including Transport Scotland, to determine the most appropriate transition plan to increase services towards pre-pandemic levels where possible and in line with available funding.

SPT's services are planned to operate as near to normal as possible in 2021/22 including all project development activities. Patronage remains very low against historical trends and hence farebox income is also significantly lower than previous years. All other income streams are lower than the norm with the consequence that SPT's revenue financial position is very challenging. Financial support from Transport Scotland in the form of COVID Light Rail Support Grant, agreed on a rolling basis (currently to 30 September 2021), is critical to ensuring SPT can sustain services at the planned level if the pandemic continues to impact income negatively in such a material manner. Operational and earned income for 2021/22 is budgeted to be £171 million lower than the previous years' budget with an estimated £9.5 million of COVID Light Rail Support Grant and various expenditure reduction measures and efficiencies in place to provide for a balanced budget.

SPT has sufficient resources available to ensure that reduced income will not create any cash flow or borrowing issues in 2021/22. In addition, reserves remain in place to support SPT's position in the short term. Any longer term impact, unknown at this point, will be dependent on the duration of the pandemic response and the measures required to transition to full services.

### Subway modernisation

The roll-out of the £288.7 million Subway modernisation programme continues with the construction of a stabling shed extension, commencement of mainline rolling stock testing and continued work on the design and build of rolling stock, signalling and associated systems.

Work also continues on the development of a new operating model reflecting the new technology and operating practices as well as changing customer expectations.

### Regional Transport Strategy

SPT is developing a new RTS for Strathclyde. The new RTS will set out a new long-term vision and strategy for an improved transport system to underpin a more sustainable and growing economy; enable a healthier, more inclusive and fairer society; and reduce the impact of transport on the environment.

The new RTS is being developed through an objective-led process in line with Scottish Transport Appraisal Guidance, drawing upon a wide range of evidence and analysis to achieve a co-ordinated approach to improving our transport future. All required statutory assessment processes are also being undertaken for the new RTS, including a Strategic Environmental Assessment and Equality Impact Assessment. Extensive engagement has also been undertaken in the development of the RTS to date, including with the travelling public – a survey which received over 4,000 responses – and our partners and stakeholders.

The Covid-19 pandemic impacted on the RTS development process, necessitating a review of timelines and approach, and also a review of the potential longer-term impacts of the pandemic on the transport network and travel behaviours. By the end of 2020/21, work focused on preparations for a consultation on the RTS Case for Change, which includes the proposed RTS Strategic Framework (vision, objectives, priorities and targets in principle), Key Issues, and Options for projects / initiatives which could help deliver the Strategy. The proposed Key Issues identified are: Regional Connectivity; Access for All; Active Living; Reduced Emissions; and Public Transport Quality and Integration. In 2021/22, work will focus on reviewing responses to the Case for Change consultation, further development of the Options, appraisal and development of the draft Strategy, which will be subject to a further 12-week public consultation.

## Smart and integrated ticketing

The Subway Smartcard has been established as a popular choice for customers with more than 243,000 cards in use. In 2020/21, SPT and a number of public transport operators including ScotRail, McGill's, Stagecoach and Tripper cards joined together to ensure that any Smartcard from these operators now works across multiple modes of transport delivering real interoperability. SPT is also working with a host of operators within the Zonecard Forum on redeveloping the long established Zonecard product as a smart enabled ticketing product, with a simplified zone structure, more flexible ticketing options and modern accessible purchasing routes.

## Preparation of the Annual Accounts

The annual accounts demonstrate SPT's sound stewardship of the public funds it controls and manages. The annual accounts have been prepared in accordance with the CIPFA 'Code of Practice on Local Authority Accounting in the United Kingdom 2020/21' (the "Code") 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.

Pages 18 to 29 of the annual accounts set out the accounting policies adopted by SPT in the preparation of the annual accounts to ensure that the annual accounts give a 'true and fair view' of SPT's financial position.

## Financial Review

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

The COVID-19 pandemic had a material, negative impact on SPT's finances in 2020/21. Operational and earned income was £17.6 million lower than the previous year. This was despite the receipt of £1 million in respect of a successful Business Interruption insurance claim arising from the pandemic. Support from Transport Scotland in respect of subway income was received for the period from 6 July 2020 to 31 March 2021, in the form of £12.292 million of COVID Light Rail Support Grant.

In addition, efficiency plans and short term expenditure controls, including a targeted vacancy freeze were implemented to ensure that SPT services were delivered within budget and available funding.

SPT's net revenue budget was set at £36.177 million, of which £35.463 million was financed by requisition from the 12 local authority partners in the SPT area and £0.714 million was financed by Scottish Government direct grants. Requisition and Scottish Government grant was received as budgeted for.

As in 2019/20 a contribution to the Subway Fund was planned for 2020/21, in accordance with the Subway Modernisation Business Case submitted to the Scottish Government, and has been generated. A contribution of £10.423 million (2019/20: £14.915 million) was made during the year reflecting the long term requirement to fund subway modernisation, subway infrastructure works and associated costs. The Strategic Bus Fund and Insurance Fund were also increased in 2020/21 to reflect anticipated future financial pressures arising from the ongoing pandemic.

## Balance Sheet

SPT's balance sheet is shown on page 31 of the annual accounts and provides details of SPT's assets and liabilities as at 31 March 2021. SPT continues to have significant balances under Short-term Investments and Cash and Cash Equivalents. The current balance for Short-term Investments is £100.902m million (2019/20: £115.286 million) and for Cash and Cash Equivalents the balance is £71.426 million (2019/20: £53.235 million). The balances are so significant predominantly due to funds being set aside within Reserves and the Capital Grants Unapplied Account to fund the Subway Modernisation. It is anticipated that these reserves will reduce in the short-term due to the financial impact of the COVID-19 Pandemic. However, the longer-term impact remains unknown at this stage.

## Cash Flow Statement

The Cash Flow Statement on page 32 of the annual accounts 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 33 of the annual accounts shows the movement in revenue and capital reserves held by SPT as at 31 March 2021. The major movements in reserves in the year are: an increase in the General Fund Balance of £12.146m; a decrease in the Capital Grants Unapplied Account of £7.608 million; a decrease in the Revaluation Reserve of £1.526 million; an increase in the Capital Adjustment Account of £7.573 million; and an increase in the Pension Reserve of £4.294 million.

The decrease in the Capital Grants Unapplied Account relates to the use of this reserve as a source of funding 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 63 of the annual accounts). Total expenditure in support of the programme amounted to £23.059 million (2019/20: £36.358 million). The programme was funded by: £15.3 million Scottish Government general capital grant; £7.677 million Scottish Government specific capital grant in support of Subway Modernisation; and £0.082 million other grants and contributions.

The Subway Modernisation programme continues to progress although slippage in the programme was experienced in year with some onsite activities impacted by restrictions around COVID-19.

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 2020/21 some properties were revalued in accordance with the Code, resulting in revaluation losses of £0.502 million charged to the Comprehensive Income and Expenditure Statement (CIES).

As a result of the Subway Modernisation programme, an annual review has been instigated 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 also incorporates non-subway assets. However, in 2020/21, no impairment losses have been identified.

## 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 51 of the annual accounts) is based on a snapshot valuation as at 31 March 2021, which shows a surplus of £1.011 million (2019/20: £3.283 million deficit). The reduction in deficit predominantly relates to a change in the financial assumptions used in the actuarial valuation with the assumed pension rate, salary increase rate and discount rate all reducing.

## Membership of the Partnership

Details of the Members of the Partnership at 31 March 2021 are shown on page 4 of the annual accounts.

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

**Martin Bartos**  
Chair

XX September 2021

**Valerie Davidson**  
Acting Chief Executive

XX September 2021

**Neil Wylie**  
Director of Finance

XX September 2021

# 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;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Ensure the Annual Accounts are prepared in accordance with legislation (the Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government Scotland Act 2003); and
- Approve the Annual Accounts for signature.

**I certify that the Annual Accounts have been approved for signature by the Partnership at its meeting on 17 September 2021.**

**Martin Bartos**  
Chair

XX September 2021

## The Director of Finance's responsibilities

The Director of Finance 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 2020/21 ("the Code of Practice").

### **In preparing this statement of accounts, the Director of Finance has:**

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with legislation;
- Complied with the Code of Practice on Local Authority Accounting in the UK;
- Kept adequate accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

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

**Neil Wylie**  
Director of Finance

XX September 2021

# 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 principles for good governance outlined in the *'Delivering good governance in local government: Framework 2016'* published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

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

## The Purpose of the Governance Framework

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

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

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

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

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

## The Governance Framework

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

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

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

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

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

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

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

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

SPT interacts and engages with stakeholders and publishes annual reports, financial statements, service performance information and the results of customer surveys.

In addition, communications are maintained through the local and national press, our website, staff intranet pages and officer and/or member representation at public meetings.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

In accordance with the Scottish Government's *Cyber Resilience Strategy for Scotland: Public Sector Action Plan*, SPT has:

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

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

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

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

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

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

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

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

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

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

## Monitoring and Review of Governance Arrangements

SPT's governance arrangements are formally monitored via:

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

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

## Statutory Role

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

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

## System of Internal Financial Control

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

This statement applies to the 2020/2021 annual accounts for SPT. We acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned.

The system of internal financial control is based on a framework of regulations, policies, processes, administrative and authorisation procedures and controls, management supervision and a system of delegated authority and accountability.

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

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

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

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

Internal Audit reports identifying areas for improvement and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and action plans. It is management's responsibility to ensure that proper consideration is given to Internal Audit reports and that appropriate action is taken on recommendations. Reports are subsequently monitored by the section 95 officer, the Strategy Group and the Audit and Standards committee.

The effectiveness of internal financial controls is informed by officers throughout SPT and the Audit and Standards committee (as the scrutiny committee) and by the work of internal and external audit. It is SPT's view that the systems for internal control were effective during 2020/2021 with no identified material weaknesses, and will be improved through implementation of the recommended actions from internal and external audit reports, and continuous corporate business planning.

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

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

**Martin Bartos**  
Chair

XX September 2020

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

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

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

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

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

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

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

**Valerie Davidson**  
Acting Chief Executive

XX September 2020

# Accounting Policies

## General Principles

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

The accounting concepts of 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements' have been considered in the application of accounting policies. In this regard the materiality concept means that information is included where the information is of such significance as to justify its inclusion. The accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received. The going concern concept assumes that 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 annual accounts 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 annual accounts for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

### • Revenue income and debtors

All transactions relating to the period to 31 March 2021 have been matched and accounted for in the period to which they relate. Government grants and other contributions are accounted for on an accruals basis and are recognised as income when the conditions of entitlement have been satisfied and there is reasonable assurance that the monies will be received.

### • Revenue from contracts with service recipients

Revenue whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

### • Revenue expenditure and creditors

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

### • Capital transactions

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

## 2. 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.

## 2. Leases and Lease Type Arrangements (continued)

### 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.

## 3. 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.

## 4. 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.

## 5. 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; and
- 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 49 to 55.

## 6. Stocks for repair and maintenance

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

## 7. Allocation of overheads

The costs of overhead and support services have not been charged to those that benefit from the supply or service. Overhead costs are contained within the categories Business Support and Corporate on the face of the CIES.

## 8. 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.

## 9. Investments

Surplus cash balances are invested with major financial institutions as part of SPT's treasury management function. In compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Prudential Code for Capital Finance in Local Authorities (2017)', SPT has adopted the CIPFA 'Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2017)'. All interest received is credited to the CIES.

## 10. 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.

## 11. 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.

## 12. 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.

### 13. 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, Insurance Fund, Renewal and Repairs Fund, Capital Grants Unapplied and Capital Fund 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.

### 14. 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.

### 15. 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.

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 relate to purchased software licences and externally 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.

### 16. 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 (e.g. repairs and maintenance) is charged as an expense when it is incurred.



## 16 Property, Plant and Equipment (continued)

### 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 (EUV).

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 2020 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.

## 16 Property, Plant and Equipment (continued)

### Disposals and Non-current Assets Held for Sale

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 costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Surplus or 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.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

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 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Fund, 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 basis:

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	31/03/2020	Land: Not Applicable Buildings: 2 – 100 years
Plant & Machinery	Not applicable	Cost	N/A	2-30 years
Rolling Stock Vehicles	Not applicable	Cost	N/A	2-25 years
Infrastructure Assets	Not applicable	Cost	N/A	10–40 years
Sundry Assets	Not applicable	Cost	N/A	2–40 years
<b>Non – Operational Assets</b>				
Assets Under Construction	Not applicable	Cost	N/A	N/A
Investment Properties	External Valuer		31/03/2021	N/A
Investment Properties Held for Sale	Not applicable	Market Value	N/A	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 staff / consultancy costs are capitalised they are aligned to the appropriate asset / component and depreciated over the life of the asset.

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.

## 17. 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).

## 18. Financial instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

- (i) The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:
  - revalued downwards or impaired and the gains are lost
  - disposed of and the gains are realised.
- (ii) The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

## 19. 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.

## 20. 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.

## 21. Accounting Standards Issued Not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2020/21 Code:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

Overall, these new or amended standards are not expected to have a significant impact on the Annual Accounts.

## 22 Critical judgements made in applying accounting policies

In applying the accounting policies, SPT has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the annual accounts are as follows:

- Judgements made in respect of non-current assets as set out in accounting policy, 16 – Property Plant & Equipment. Land & Buildings are held at current value and are revalued on a five year rolling basis, but additional valuations may be carried out on an ad hoc basis out with the rolling programme arrangements, for example, when asset has been significantly modernised / upgraded. All SPT Land & Building assets were revalued as at 31/03/2020, but due to the current COVID 19 Pandemic the valuer included the below statement surrounding Market Uncertainty within their valuation report.

*The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.*

*Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.*

*Our valuation(s) is / are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property / these properties under frequent review.*

Further clarification was sought from the valuer over the potential effect of market uncertainty on the valuations provided. It was ascertained that the market uncertainty predominantly impacts on the valuation of SPT’s investment property, which account for under 5% of SPT’s total property assets. Investment properties were revalued as at 31/03/2021 with the District Valuer updating their guidance to state that “our valuation is not reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards”. Sensitivity analysis in relation to investment properties is detailed in accounting policy 23, Assumptions about the future and other sources of estimation uncertainty.

- All other operational asset classes are valued on an historic costs basis. SPT asserts that at any point in time, the carrying amount does not differ materially from that which would be determined using current value.

### 23 Assumptions about the future and other sources of estimation uncertainty

The Financial Statements contain estimated figures that are based on assumptions made by SPT about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The item in SPT's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied.	<p>The sensitivities regarding the principal assumptions used by the consulting actuaries to measure the scheme liabilities are set out below:</p> <ul style="list-style-type: none"> <li>• A 0.5% decrease in the real discount rate would result in a 9% increase (£23.913 million) in the employer's obligation.</li> <li>• A 0.5% increase in the salary increase rate would result in a 1% increase (£2.803 million) in the employer's obligation.</li> <li>• A 0.5% increase in the pension increase rate would result in a 7% increase (£20.566 million) in the employer's obligation.</li> </ul>
Valuation of Investment Properties	Investment properties are valued by applying a reversionary yield rate to convert income receivable into an indication of the anticipated value of the property.	<p>The sensitivities regarding the reversion yield used by the valuers to measure the investment properties are set out below:</p> <ul style="list-style-type: none"> <li>• A 1% decrease in the reversionary yield would result in the value of investment properties increasing by £0.376 million.</li> <li>• A 1% increase in the reversionary yield would result in the value of investment properties decreasing by £0.290 million.</li> </ul>

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

2019/20			2020/21			
Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000		Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000
27,968	(21,794)	6,174	Subway operations	26,780	(16,933)	9,847
20,704	(2,615)	18,089	Bus operations	18,754	(1,723)	17,031
1,885	0	1,885	Operations - Other	1,328	0	1,328
4,154	(266)	3,888	Business Support	4,063	(503)	3,560
19,592	(1,289)	18,303	Corporate	14,403	(2,298)	12,105
<b>74,303</b>	<b>(25,964)</b>	<b>48,339</b>	<b>Cost Of Services</b>	<b>65,328</b>	<b>(21,457)</b>	<b>43,871</b>
		268	Other Operating Expenditure (Note 5)			(78)
		(1,732)	Financing and Investment Income and Expenditure (note 6)			(849)
		(110,909)	Taxation and Non-Specific Grant Income (note 7)			(51,628)
		<b>(64,034)</b>	<b>Surplus on Provision of Services</b>			<b>(8,684)</b>
		(13,074)	Revaluation of non-current assets (note 9, Revaluation Reserve)			0
		(18,688)	Actuarial (gains) / losses on pension assets / liabilities (note 9, Pensions Reserve)			(6,408)
		0	Other Comprehensive Income and Expenditure			0
		<b>(95,796)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(15,092)</b>



# Balance Sheet as at 31 March 2021

31 March 2020 £000		Note	31 March 2021 £000
270,654	Property, Plant & Equipment	22	277,241
5,681	Investment Properties	19	5,079
426	Intangible Assets	20	488
5	Investments in Joint Ventures and Associates	33	5
0	Other Long Term Assets (Pensions)	14	1,011
<b>276,766</b>	<b>Long-term Assets</b>		<b>283,824</b>
115,286	Short-term Investments	25	100,902
662	Inventories	26	694
4,039	Short-term Debtors	27	7,690
53,235	Cash and Cash Equivalents	12	71,426
<b>173,222</b>	<b>Current Assets</b>		<b>180,712</b>
(19,474)	Short-term Creditors	28	(22,384)
(207)	Provisions	29	(36)
<b>(19,681)</b>	<b>Current Liabilities</b>		<b>(22,420)</b>
(3,283)	Other Long-term Liabilities (Pensions)	14	0
<b>(3,283)</b>	<b>Long-term Liabilities</b>		<b>0</b>
<b>427,024</b>	<b>Net Assets</b>		<b>442,116</b>
161,145	Usable Reserves	8	165,988
265,879	Unusable Reserves	9	276,128
<b>427,024</b>	<b>Total Reserves</b>		<b>442,116</b>

The unaudited accounts were issued on 4 June 2021 and the audited accounts were authorised for issue on 17 September 2021.

**Neil Wylie**

Director of Finance

XX September 2021

# Cash Flow Statement for the year ended 31 March 2021

2019/20 £000		2020/21 £000
64,034	Net surplus or (deficit) on the provision of services	8,684
(29,197)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 10)	18,096
(1,689)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(877)
33,148	Net cash flows from Operating Activities	25,903
(30,699)	Investing Activities (note 11)	(7,712)
2,449	Net increase or (decrease) in cash and cash equivalents	18,191
50,786	Cash and cash equivalents at the beginning of the reporting period	53,235
<b>53,235</b>	<b>Cash and cash equivalents at the end of the reporting period (note 12)</b>	<b>71,426</b>

# Movement in Reserves Statement

Current year	General Fund Balance £000	Insurance Fund £000	Capital Fund £000	Renewal and Repair Fund £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Partnership Reserves £000
<b>Balance at 31 March 2020</b>	<b>74,867</b>	<b>1,000</b>	<b>26,047</b>	<b>1,500</b>	<b>57,731</b>	<b>161,145</b>	<b>265,879</b>	<b>427,024</b>
<b>Movement in reserves during 2020/21</b>								
Total Comprehensive Income and Expenditure	8,684	0	0	0	0	8,684	6,408	15,092
Transfers from / (to) statutory reserves	(219)	219	0	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations (note 3)	3,681	0	86	0	(7,608)	(3,841)	3,841	0
<b>Increase / (decrease) in 2020/21</b>	<b>12,146</b>	<b>219</b>	<b>86</b>	<b>0</b>	<b>(7,608)</b>	<b>4,843</b>	<b>10,249</b>	<b>15,092</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>87,013</b>	<b>1,219</b>	<b>26,133</b>	<b>1,500</b>	<b>50,123</b>	<b>165,988</b>	<b>276,128</b>	<b>442,116</b>
<b>Comparative information for 2019/20</b>								
<b>Balance at 31 March 2019</b>	<b>11,169</b>	<b>0</b>	<b>25,983</b>	<b>0</b>	<b>70,988</b>	<b>108,140</b>	<b>223,088</b>	<b>331,228</b>
<b>Movement in reserves during 2019/20</b>								
Total comprehensive income and expenditure	64,034	0	0	0	0	64,034	31,762	95,796
Transfers from / (to) statutory reserves	(2,500)	1,000	0	1,500	0	0	0	0
Adjustments between accounting basis and funding basis under regulations (note 3)	2,164	0	64	0	(13,257)	(11,029)	11,029	0
<b>Increase / (decrease) in 2019/20</b>	<b>63,698</b>	<b>1,000</b>	<b>64</b>	<b>1,500</b>	<b>(13,257)</b>	<b>53,005</b>	<b>42,791</b>	<b>95,796</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>74,867</b>	<b>1,000</b>	<b>26,047</b>	<b>1,500</b>	<b>57,731</b>	<b>161,145</b>	<b>265,879</b>	<b>427,024</b>

# Notes to the Financial Statements

## 1A. Expenditure and Funding Analysis for the year ended 31 March 2021

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (requisition income government grants) by SPT in comparison with those resources consumed or earned by SPT in accordance with proper accounting practice. It also shows how this expenditure is allocated for decision making purposes between the SPT's directorates. Income and expenditure accounted for under proper accounting practice is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20				2020/21		
Net Expenditure/ (Income) Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure/ (Income) Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
(35)	6,209	6,174	Subway operations	3,738	6,109	9,847
15,465	2,624	18,089	Bus operations	15,165	1,866	17,031
1,604	281	1,885	Operations - Other	1,159	169	1,328
3,489	399	3,888	Business Support	3,231	329	3,560
1,062	17,241	18,303	Corporate	519	11,586	12,105
14,915	(14,915)	0	Contribution to Subway Fund /Reserves	12,365	(12,365)	0
<b>36,500</b>	<b>11,839</b>	<b>48,339</b>	<b>Cost Of Services</b>	<b>36,177</b>	<b>7,694</b>	<b>43,871</b>
(36,500)	(75,873)	(112,373)	Other Income and Expenditure	(36,177)	(16,378)	(52,555)
<b>0</b>	<b>(64,034)</b>	<b>(64,034)</b>	<b>(Surplus) or Deficit</b>	<b>0</b>	<b>(8,684)</b>	<b>(8,684)</b>
(11,169)			Opening General Fund Balance	(74,867)		
(63,698)			Less (Surplus)/Deficit on General Fund	(12,146)		
<b>(74,867)</b>			<b>Closing General Fund Balance</b>	<b>(87,013)</b>		

**1B. Note to the Expenditure and Funding Analysis Statement (2020/21) – Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts**

	Adjustments for Capital Purposes £000	Net change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Subway operations	4,900	1,135	74	6,109
Bus operations	1,247	294	325	1,866
Operations – Other	0	169	0	169
Business Support	0	329	0	329
Corporate	10,356	89	1,141	11,586
Contribution to Subway Fund	(12,365)	0	0	(12,365)
<b>Cost of Services</b>	<b>4,138</b>	<b>2,016</b>	<b>1,540</b>	<b>7,694</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(5,195)</b>	<b>97</b>	<b>(11,280)</b>	<b>(16,378)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus on the Provision of Services</b>	<b>(1,057)</b>	<b>2,113</b>	<b>(9,740)</b>	<b>(8,684)</b>

Other Differences in the table above relate to Rental Income, Interest Receivable and the movement in the Accumulated Absences Account.

**Comparative Information for 2019/20**

	Adjustments for Capital Purposes £000	Net change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Subway operations	4,861	1,300	48	6,209
Bus operations	1,913	347	364	2,624
Operations – Other	0	281	0	281
Business Support	0	399	0	399
Corporate	15,263	55	1,923	17,241
Contribution to Subway Fund	(14,915)	0	0	(14,915)
<b>Cost of Services</b>	<b>7,122</b>	<b>2,382</b>	<b>2,335</b>	<b>11,839</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(62,143)</b>	<b>499</b>	<b>(14,229)</b>	<b>(75,873)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus on the Provision of Services</b>	<b>(55,021)</b>	<b>2,881</b>	<b>(11,894)</b>	<b>(64,034)</b>

### 1C. Segmental Income and revenue from contracts with service recipients

Income received on a segmental basis is analysed below:

<b>Subway Operations</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Ticket Income	(20,155)	(3,977)
Advertising Income	(1,223)	(63)
Miscellaneous Income	(415)	(598)
Rental Income	(48)	(74)
COVID Light Rail Support Grant (Scottish Government)	0	(12,292)
<b>Total Subway Income</b>	<b>(21,841)</b>	<b>(17,004)</b>
<b>Bus Operations</b>		
Bus Departures and Parking	(1,290)	(876)
Agency Services	(825)	(992)
Miscellaneous Income	(431)	(328)
Rental Income	(363)	(325)
Bus Station Facilities	(200)	(33)
Advertising	(136)	0
<b>Total Bus Income</b>	<b>(3,245)</b>	<b>(2,554)</b>
<b>Corporate</b>		
Insurance Claim – Lost Income (April to June 2020)	0	(1,000)
Interest Received	(1,689)	(877)
Agency Services	(1,240)	(1,240)
Rental Income	(221)	(172)
Miscellaneous Income	(49)	(58)
<b>Total Corporate Income</b>	<b>(3,199)</b>	<b>(3,347)</b>
<b>Total income analysed on a segmental basis</b>	<b>(28,285)</b>	<b>(22,905)</b>

Please note the figures provided above show core SPT income for services and differs from the CIES as items such as rental income and interest received which are shown after net cost of services are included above.

With regard to revenue from contracts with service recipients the above fulfils SPT's basic reporting requirements. Further details of amounts owed to SPT can be found within Short-term Debtors (note 27). The specific accounts receivable balance, which relates to invoices issued by SPT, but remain unpaid can be found within the Financial Instruments note (note 31).

## 2. Expenditure and Income Analysed by Nature

2019/20 £000		2020/21 £000
	<b>Expenditure</b>	
22,298	Employee costs	22,138
5,746	Premises costs	5,693
2,117	Supplies and services	1,456
89	Transport and plant	57
19,620	Third party payments	17,373
12,907	Financing costs (including impairments)	9,287
11,883	Grant Fund to Local Authorities and Others	9,749
499	Pension interest (income)/cost and expected return on pension assets	97
<b>75,159</b>	<b>Total Expenditure</b>	<b>65,850</b>
	<b>Income</b>	
(24,161)	Government grants	(28,389)
(86,748)	Other grants, reimbursements & contributions	(35,531)
(26,595)	Customer and client receipts	(9,736)
(1,689)	Financing and investment income	(878)
<b>(139,193)</b>	<b>Total Income</b>	<b>(74,534)</b>
<b>(64,034)</b>	<b>Surplus on Provision of Services</b>	<b>(8,684)</b>

### 3. Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

2020/21

	Usable Reserves		
	General Fund Balance £000	Capital Fund £000	Capital Grants Unapplied Account £000
<b>Adjustments to the revenue resources</b>			
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>			
Pensions costs (transferred from (or to) the Pensions Reserve)	2,114	0	0
Holiday pay (transferred from (or to) the Accumulated Absences Account)	92	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	1,561	0	83
<b>Total adjustments to revenue resources</b>	<b>3,767</b>	<b>0</b>	<b>83</b>
<b>Adjustments between revenue and capital resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Fund	(86)	86	0
<b>Total adjustments between revenue and capital resources</b>	<b>(86)</b>	<b>86</b>	<b>0</b>
<b>Adjustments to capital resources</b>			
Use of the Capital Fund to finance capital expenditure	0	0	0
Application of capital grants to finance capital expenditure	0	0	(7,691)
<b>Total adjustments to capital resources</b>	<b>0</b>	<b>0</b>	<b>(7,691)</b>
<b>Total adjustments</b>	<b>3,681</b>	<b>86</b>	<b>(7,608)</b>

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 arrive at the resources that are specified by statutory provisions as being available to SPT to meet future capital and revenue expenditure.



### 3. Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

#### 2019/20 Comparative Information

	Usable Reserves		
	General Fund Balance £000	Capital Fund £000	Capital Grants Unapplied Account £000
<b>Adjustments to the revenue resources</b>			
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>			
Pensions costs (transferred from (or to) the Pensions Reserve)	2,881	0	0
Holiday pay (transferred from (or to) the Accumulated Absences Account)	13	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(691)	0	24
<b>Total adjustments to revenue resources</b>	<b>2,203</b>	<b>0</b>	<b>24</b>
<b>Adjustments between revenue and capital resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Fund	(39)	39	0
<b>Total adjustments between revenue and capital resources</b>	<b>(39)</b>	<b>39</b>	<b>0</b>
<b>Adjustments to capital resources</b>			
Use of the Capital Fund to finance capital expenditure	0	25	0
Application of capital grants to finance capital expenditure	0	0	(13,281)
<b>Total adjustments to capital resources</b>	<b>0</b>	<b>25</b>	<b>(13,281)</b>
<b>Total adjustments</b>	<b>2,164</b>	<b>64</b>	<b>(13,257)</b>

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 arrive at the resources that are specified by statutory provisions as being available to SPT to meet future capital and revenue expenditure.

#### 4. Movement in General Fund Balance

A significant element of the General Fund Balance has been set aside for specific purposes. The movement in these earmarked amounts is shown in the following table:

General Fund Balance	Balance at 1 April 2019 £000	Transfers out 2019/20 £000	Transfers in 2019/20 £000	Balance at 31 March 2020 £000	Transfers out 2020/21 £000	Transfers in 2020/21 £000	Balance at 31 March 2021 £000
Rolling Stock, Signalling and Associated Equipment Fund	0	0	35,000	35,000	0	10,423	45,423
Subway Infrastructure Fund	0	0	20,000	20,000	0	0	20,000
Guideline Criteria Review Fund	0	0	10,000	10,000	0	0	10,000
Strategic Bus Routes Fund	0	0	2,000	2,000	0	1,723	3,723
<b>Earmarked</b>	<b>0</b>	<b>0</b>	<b>67,000</b>	<b>67,000</b>	<b>0</b>	<b>12,146</b>	<b>79,146</b>
<b>Non-earmarked</b>	<b>11,169</b>	<b>(3,302)</b>	<b>0</b>	<b>7,867</b>	<b>(219)</b>	<b>219</b>	<b>7,867</b>
<b>Total</b>	<b>11,169</b>	<b>(3,302)</b>	<b>67,000</b>	<b>74,867</b>	<b>(219)</b>	<b>12,365</b>	<b>87,013</b>

#### 4. Movement in General Fund Balance (continued)

The Transport (Scotland) Act 2019 enables Regional Transport Partnerships to hold and contribute to reserves. This resulted in SPT creating the above earmarked reserves during 2019/20, predominantly by releasing the balance under Receipts in Advance.

SPT's Reserves Policy was approved by the Partnership on 6 March 2020 and can be found at:

[spt.co.uk/documents/latest/SP070220\\_Agenda6.pdf](https://spt.co.uk/documents/latest/SP070220_Agenda6.pdf)

[spt.co.uk/corporate/wp-content/uploads/2012/05/sptp060320\\_minute.pdf](https://spt.co.uk/corporate/wp-content/uploads/2012/05/sptp060320_minute.pdf)

An annual review of the reserve balances, as part of the budget setting process, was considered and approved by the Partnership at its meeting on 12 March 2021 and can be found at:

[spt.co.uk/documents/latest/p120321\\_Agenda6.pdf](https://spt.co.uk/documents/latest/p120321_Agenda6.pdf).

This review also resulted in a change in the policy regarding the non-earmarked balance whereby the targeted level will now be based on all operational income and not just Subway income. This change reflects the reality that SPT relies on income from across the organisation and not just Subway.

There is no restriction on whether the General Fund Balance can be used for capital or revenue purposes.

#### **Rolling Stock, Signalling and Associated Equipment Fund**

To meet SPT's on-going obligation to fund the overall Subway Modernisation Programme and to ensure that the new assets are overhauled and maintained to a high standard.

#### **Subway Infrastructure Fund**

A full survey of the Subway tunnels carried out by external consultants identified that significant works need to be undertaken to ensure that they continue to be structurally sound.

#### **Guideline Criteria Review Fund**

SPT is currently part-way through the review of its Guideline Criteria for Subsidised Local Bus Services and therefore the financial effect of any changes is unknown. In addition, it is likely that the enactment of new powers granted to SPT under the Transport (Scotland) Act 2019 will not be without practical and financial challenges.

#### **Strategic Bus Routes Fund**

To be utilised in the event that an unanticipated material change occurs in the market provision or cost of the designated strategic bus routes. The fund would be utilised to cover short-term issues only and not to cover contracted revenue spend year-on-year. The balance equates to approximately 16% of the current subsidised bus services budget.

#### **Non-earmarked Balance**

The non-earmarked balance equates to approximately three months of operational income and is held as an organisational contingency.

## 5. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2019/20 £000		2020/21 £000
268	Gains/losses on disposal of non-current assets	(78)
<b>268</b>	<b>Total</b>	<b>(78)</b>

## 6. Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2019/20 £000		2020/21 £000
499	Pensions interest cost and expected return on pensions assets	97
90	Revaluation of Investment Property	502
(632)	Net rental income	(571)
(1,689)	Interest receivable and similar income	(877)
<b>(1,732)</b>	<b>Total</b>	<b>(849)</b>

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

2019/20 £000		2020/21 £000
(86,745)	Funding received as requisition from constituent local authorities	(35,463)
(12,945)	Scottish Government Revenue Grant	(10,546)
(11,217)	Scottish Government Capital Grant	(5,551)
(2)	Other Capital Grant	(68)
<b>(110,909)</b>	<b>Total</b>	<b>(51,628)</b>

All of the above grants were credited to the “Taxation and Non-specific Grant Income” line on the Comprehensive Income and Expenditure Account.

## 8. Balance Sheet – Usable Reserves

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

## 9. Balance Sheet – Unusable Reserves

31 March 2020 £000		31 March 2021 £000
66,914	Revaluation Reserve	65,388
202,366	Capital Adjustment Account	209,939
(3,283)	Pensions Reserve	1,011
(118)	Accumulating Absences Account	(210)
<b>265,879</b>	<b>Total Unusable Reserves</b>	<b>276,128</b>

### 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.

2019/20 £000		2020/21 £000
<b>55,124</b>	<b>Balance at 1 April</b>	<b>66,914</b>
15,161	Upward revaluation of assets	0
(2,087)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
13,074	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	0
(1,284)	Difference between fair value depreciation and historical cost depreciation	(1,526)
(1,284)	Amount written off to the Capital Adjustment Account	(1,526)
<b>66,914</b>	<b>Balance at 31 March</b>	<b>65,388</b>

## 9. Balance Sheet – Unusable Reserves (continued)

### 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 subsequent costs as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert current and 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 subsequent costs.

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.

Note 3 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

## 9. Balance Sheet – Unusable Reserves (continued)

2019/20 £000		2020/21 £000
187,159	<b>Balance at 1 April</b>	<b>202,366</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>	
(7,216)	Charges for depreciation and impairment of non-current assets	(6,448)
(2,605)	Revaluation losses on property, plant and equipment	0
(333)	Amortisation of intangible assets	(305)
(11,884)	Revenue expenditure funded from capital under statute	(9,749)
(307)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8)
(22,345)		(16,510)
1,284	Adjusting amounts written out of the Revaluation Reserve	1,526
(21,061)	Net written out amount of the cost of non-current assets consumed in the year	(14,984)
	<b>Capital financing applied in the year:</b>	
(25)	Use of the Capital Fund to finance new capital expenditure	0
23,102	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	15,368
13,281	Application of grants to capital financing from the Capital Grants Unapplied Account	7,691
36,358		23,059
(90)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(502)
<b>202,366</b>	<b>Balance at 31 March</b>	<b>209,939</b>

### 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.

## 9. Balance Sheet – Unusable Reserves (continued)

2019/20 £000		2020/21 £000
<b>(19,090)</b>	<b>Balance at 1 April</b>	<b>(3,283)</b>
18,688	Actuarial gains or (losses) on pension assets and liabilities	6,408
(6,421)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(5,852)
3,540	Employer's pensions contributions and direct payments to pensioners payable in the year	3,738
<b>(3,283)</b>	<b>Balance at 31 March</b>	<b>1,011</b>

### Accumulated Absences Account

The Accumulated Absences 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 (e.g. annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2019/20 £000		2020/21 £000
<b>(105)</b>	<b>Balance at 1 April</b>	<b>(118)</b>
0	Settlement or cancellation of accrual made at the end of the preceding year	0
(13)	Amounts accrued at the end of the current year	(92)
(13)	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	(92)
<b>(118)</b>	<b>Balance at 31 March</b>	<b>(210)</b>



## 10. Cash Flow Statement – Non Cash Movements

2019/20 £000		2020/21 £000
7,216	Depreciation (note 9)	6,448
0	Asset impairments (note 9)	0
2,605	Revaluation losses on property, plant and equipment	0
90	Revaluation of investment properties (note 9)	502
333	Amortisation of intangible assets (note 9)	305
2,881	(Charges)/credit for retirement benefits (note 9)	2,114
268	(Gain)/loss on asset disposal (note 9)	(78)
(242)	Increase / (decrease) in provisions for liabilities and charges	(171)
11,884	Revenue expenditure funded from capital (note 9)	9,749
	Accruals adjustments:	
(60)	(Increase)/decrease in inventory	(32)
3,500	(Increase)/decrease in debtors	(3,651)
(57,672)	Increase/(decrease) in creditors	2,910
<b>(29,197)</b>	<b>Total</b>	<b>18,096</b>

## 11. Cash Flow Statement – Investing Activities

2019/20 £000		2020/21 £000
(36,358)	Purchase of property, plant and equipment, investment property, intangible assets and grants	(23,059)
3,931	Purchase of short-term and long-term investments	14,384
39	Proceeds from the sale of property, plant and equipment, investment properties and intangible assets	86
1,689	Interest received (note 6)	877
<b>(30,699)</b>	<b>Net cash flows from investing activities</b>	<b>(7,712)</b>

## 12. Cash Flow Statement – Cash and Cash Equivalents

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

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
16	Cash held by SPT	16
16,433	Current accounts with banks and building societies	35,683
36,786	Short-term deposits with banks and building societies	35,727
<b>53,235</b>	<b>Total cash and cash equivalents</b>	<b>71,426</b>

SPT currently holds substantial balances which will be used to fund the Subway Modernisation programme and other future Subway initiatives. It is envisaged that the balances will be significantly reduced over the coming financial years.

## 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.

<b>2019/20 £000</b>		<b>2020/21 £000</b>
72	Fees payable with regard to external audit services carried out by the appointed auditor for the year	74
0	Fees payable for additional services	0
<b>72</b>	<b>Total</b>	<b>74</b>

## 14. Defined Benefit Pension Schemes

### Participation in pension schemes

The post employment scheme for employees 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 for the current scheme. 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 for most members is 65, however it is based on state pension age. 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.

##### **IAS19 standard for plan amendments, curtailments and settlements ("special events")**

On 7 February 2018, the International Accounting Standards Board (IASB) issued amendments to the IAS19 standard for plan amendments, curtailments and settlements ("special events"). This affects any IAS19 employers with events such as bulk transfers or redundancies over the year. CIPFA have now incorporated this amendment into their guidance such that the amendments are applicable as at 31 March 2021 accounting.

The amendment requires restating the profit and loss items from the date of an event, by remeasuring both the asset and the liabilities using assumptions set at the event date. The impact of applying the amendment would adjust amounts between the Profit and Loss (P&L) and the Other Comprehensive Income (OCI). A triggering significant event has been defined as an event which impacts greater than 5% of an employer's active membership. There have been no events in 2020/21, which breach the 5% of active membership significance level and as such no adjustments have been made to the financial statements.

#### 14. Defined Benefit Pension Schemes (continued)

The following transactions have been made in the financial statements in 2020/21 and the prior year 2019/20.

	2019/20 £000	2020/21 £000
<b>Comprehensive Income and Expenditure Statement (CIES)</b>		
Cost of Services:		
Service cost comprising		
• current service cost	7,022	5,560
• past service costs (including curtailments)	(1,100)	195
• curtailments and unfunded benefits	0	0
Financing and Investment Income and Expenditure		
• net interest expense	499	97
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>6,421</b>	<b>5,852</b>
<b>Other Post Employment Benefit Charged to the CIES</b>		
• expected return on scheme assets	15,923	(51,347)
• re-measurements	(34,611)	44,939
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>(12,267)</b>	<b>(556)</b>
<b>Movement in Reserves Statement</b>		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	2,881	2,114
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers' contributions payable to scheme	3,540	3,738

#### 14. Defined Benefit Pension Schemes (continued)

##### 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:

	2019/20 £000	2020/21 £000
Present value of scheme liabilities	(230,501)	(274,302)
Fair value of scheme assets	227,218	275,313
<b>Surplus / (Deficit)</b>	<b>(3,283)</b>	<b>1,011</b>

Due to the positive valuation in 2020/21 the surplus on the defined benefit plan is shown under Long-term Assets in the Balance Sheet rather than Long-term liabilities for 2019/20.

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

	2019/20 £000	2020/21 £000
<b>Opening fair value of pension fund assets at 1 April</b>	<b>240,365</b>	<b>227,218</b>
Interest income	5,735	5,183
Re-measurement gains and (losses)		
• Other experiences	0	(4,561)
• The return on plan assets, excluding the amount included in the net interest expense	(15,923)	51,347
Contributions from employers	3,540	3,738
Contributions from employees into the scheme	1,056	1,052
Benefits paid	(7,555)	(8,664)
<b>Closing balance at 31 March</b>	<b>227,218</b>	<b>275,313</b>

##### Reconciliation of Present Value of the Scheme Liabilities

	2019/20 £000	2020/21 £000
<b>Opening balance at 1 April</b>	<b>259,455</b>	<b>230,501</b>
Current service cost	7,022	5,560
Interest cost	6,234	5,280
Contributions by Pension Fund participants	1,056	1,052
Re-measurement (gains) and losses:		
• (Gains) / Losses arising from changes in demographic assumptions	(8,934)	(7,973)
• (Gains) / Losses arising from changes in financial assumptions	(23,946)	50,700
• (Gains) / Losses Other	(1,731)	(2,349)
Past service costs (including curtailments)	(1,100)	195
Benefits paid	(7,555)	(8,664)
<b>Closing balance at 31 March</b>	<b>230,501</b>	<b>274,302</b>

## 14. Defined Benefit Pension Schemes (continued)

### Analysis of Pension Fund's Assets

SPT's share of the Pension Fund's assets comprised:

	2019/20			2020/21		
	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total
	£000	£000	£000	£000	£000	£000
<b>Equity instruments (by industry type)</b>						
• Consumer	14,551	41	14,592	15,852	0	15,852
• Manufacturing	11,789	36	11,825	15,575	130	15,705
• Energy & utilities	3,038	0	3,038	2,828	47	2,875
• Financial institutions	9,795	0	9,795	9,745	0	9,745
• Health & care	5,753	59	5,812	7,562	119	7,681
• Information technology	7,488	2	7,490	12,739	0	12,739
<b>Sub-total equity</b>	<b>52,414</b>	<b>138</b>	<b>52,552</b>	<b>64,301</b>	<b>296</b>	<b>64,597</b>
Corporate Bonds	7,129	0	7,129	0	0	0
UK Property	0	20,572	20,572	0	22,306	22,306
Private equity	0	27,512	27,512	0	49,243	49,243
<b>Other investment funds</b>						
• Equities	64,532	5,594	70,126	2,591	93,701	96,292
• Bonds	9,937	16,370	26,307	0	37,235	37,235
• Commodities	114	0	114	0	117	117
• Infrastructure	0	0	0	0	278	278
• Other	0	291	291	0	573	573
<b>Sub-total other investment funds</b>	<b>74,583</b>	<b>22,255</b>	<b>96,838</b>	<b>2,591</b>	<b>131,904</b>	<b>134,495</b>
<b>Derivatives</b>						
• Other	5	0	5	50	0	50
<b>Sub-total derivatives</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>50</b>	<b>0</b>	<b>50</b>
Cash and cash equivalents	11,697	11,273	22,970	4,435	187	4,622
<b>Total assets</b>	<b>145,828</b>	<b>81,390</b>	<b>227,218</b>	<b>71,377</b>	<b>203,936</b>	<b>275,313</b>

## 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

	2019/20	2020/21
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	1.7%	1.3%
Bonds	1.7%	1.3%
Property	1.7%	1.3%
Cash	1.7%	1.3%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	20.7	19.8
Women	22.9	22.6
<b>Longevity at 65 for future pensioners:</b>		
Men	22.2	21.2
Women	24.6	24.7
Rate of CPI	1.9%	2.85%
Rate of increase in salaries	3.0%	3.55%
Rate of increase in pensions	1.9%	2.85%
Rate for discounting fund liabilities	2.3%	2.00%
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)

Change in assumptions at 31 March 2021	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	23,913
0.5% increase in the Salary Increase Rate	1%	2,803
0.5% increase in the Pension Increase Rate	7%	20,566

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 2021 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. An actuarial valuation of the fund was undertaken in 2017, which has resulted in the contribution rates being set at 19.3% for 2018/19, 2019/20 and 2020/21.

The total contributions expected to be made by SPT to Strathclyde Pension Fund in the year to 31 March 2021 is £3.049 million.

The weighted average duration of the defined benefit obligation for Fund members is 18 years (2019/20: 17.9 years).

## 15. Events after the Balance Sheet Date

The accounts were authorised for issue by the Assistant Chief Executive on 17 September 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 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.

### Scottish Government and its agencies

During 2020/21 Transport Scotland, an agency of the Scottish Government, provided SPT with revenue grant funding of £13.006 million (2019/20: £1.037 million) and capital grants totalling £15.300 million (2019/20: £23.100 million). The revenue grant included funding of £12.292 million to support loss of Subway income between July and March of the financial year due to Covid. Grant receipts and invoices outstanding at 31 March 2021 were £2.657 million (2019/20: £0.000 million) and are included in Other Receivables Amounts (note 27 Short-term Debtors).

Grants received but not utilised at 31 March 2021 were £50.124 million (2019/20: £57.732 million) and are included in Capital Grants Unapplied Account.

## 16. Related Parties (continued)

### 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 2020/21 is shown in the Remuneration Report.

During 2020/21 the 12 Local Authorities in Strathclyde provided funding totalling £35.463 million (2019/20: £35.463 million) in the form of requisition.

During 2020/21 SPT received revenue income and grants from local authorities totalling £0.959 million (2019/20: £0.993 million).

During 2020/21 SPT provided capital grants totalling £9.749 million (2019/20: £10.706 million) to Local Authorities within the SPT area in support of various transport improvement projects. SPT also paid for goods / services and provided revenue grants to local authorities totalling £0.815 million (2019/20: £1.003 million).

There is a balance of £0.495 million (2019/20: £0.625 million) in relation to outstanding invoices and accrued income within Short-term Debtors (note 27). There is also a balance of £8.793 million (2019/20: £11.156 million) within Short-term Creditors (note 28) which primarily relates to outstanding invoices.

### 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 2020/21 SPT charged £0.344 million (2019/20: £0.266 million) to SCTS for the provision of these services, and £0.072 million (2019/20: £0.325 million) received in income for Concessionary Travel reimbursements. Charges and income outstanding at 31 March 2021 was £0.120 million (2019/20: £0.266 million), and are included in note 27 Short-term Debtors. A balance of £0.000 million (2019/20: £0.002 million) for prepaid income is included within note 28 Short-term Creditors.

### 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 2020/21 SPT approved payments totalling £0.093 million (2019/20: £0.153 million) to Nevis Technologies Limited in support of smartcard ticketing and payment services. During 2020/21 SPT charged £0.048 million to Nevis Technologies (2019/20: £0.050 million). Payments outstanding at 31 March 2021 were £0.019 million (2019/20: £0.009 million) and are included in Other Payables Amounts (note 28 Short-term Creditors). A balance of £0.096 million (2019/20: £0.048 million) is included in note 27 Short-term Debtors.

## 17. Agency activities

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

<b>Total Costs 2019/20 £000</b>		<b>Administration Recharge £000</b>	<b>Direct Service Payments £000</b>	<b>Total Costs 2020/21 £000</b>
30,597	School and Vocational Transport	1,000	27,365	28,365
957	Bus Shelter Maintenance	177	618	795
272	Strathclyde Concessionary Travel Scheme	344	0	344
<b>31,826</b>	<b>Total</b>	<b>1,521</b>	<b>27,983</b>	<b>29,504</b>

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 (2019/20: nil).

#### 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:

<b>2019/20 £000</b>		<b>2020/21 £000</b>
44	Not later than one year	44
112	Later than one year and not later than five years	81
131	Later than five years	117
<b>287</b>	<b>Total</b>	<b>242</b>

## 19. Investment Properties

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

2019/20 £000		2020/21 £000
(632)	Rental income from investment property	(571)
<b>(632)</b>	<b>Total</b>	<b>(571)</b>

There are no restrictions on SPT's ability to realise the value inherent in its investment properties 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:

2019/20 £000		2020/21 £000
<b>5,916</b>	<b>Balance at start of year</b>	<b>5,681</b>
(255)	Additions/(disposals)	(100)
(90)	Net gains/(losses) from fair value adjustments	(502)
110	Transfers from/(to) Property, Plant and Equipment	0
<b>5,681</b>	<b>Balance at end of year</b>	<b>5,079</b>

## 20. Intangible Assets

The movement on intangible asset balances during the year is as follows:

2019/20 £000		2020/21 £000
	<b>Balance at start of year</b>	
2,498	• Gross carrying amounts	2,401
(1,774)	• Accumulated amortisation	(1,975)
<b>724</b>	<b>Net carrying amount at start of year</b>	<b>426</b>
35	Additions: purchases	254
(132)	Disposals cost	(204)
0	Transfers cost	113
(333)	Amortisation for the period	(305)
132	Disposals amortisation	204
<b>426</b>	<b>Net carrying amount at the end of year</b>	<b>488</b>
	<b>Comprising:</b>	
2,401	• Gross carrying amounts	2,564
(1,975)	• Accumulated amortisation	(2,076)
<b>426</b>		<b>488</b>

## 21. Impairment Losses

As a result of the Subway Modernisation programme, an annual review has been instigated 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 also incorporates non-Subway assets.

A review was undertaken of existing bus fleet assets to determine if any required accelerated replacement.

Consequently, in 2020/21 SPT has not recognised any management assessed impairment loss (2019/20: £0 million) in relation to its Subway assets and Bus Operations fleet.

## 22. Property, Plant and Equipment

### Movements in 2020/21:

	Land & Buildings £000	Plant & Machinery £000	Rolling Stock & Vehicles £000	Infra-structure Assets £000	Sundry Assets £000	Assets Under Construction £000	Investment Properties £000	Investment Properties Held for Sale £000	Total £000
<b>Cost or Valuation</b>									
At 1 April 2020	129,536	10,188	34,607	85,524	7,076	92,978	5,681	0	365,590
Additions	332	68	0	1,057	342	11,357	(100)	0	13,056
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	(502)	0	(502)
Derecognition - Disposals	0	0	(844)	0	(1,956)	0	0	0	(2,800)
Transfers	170	0	0	69	1,236	(1,588)	0	0	(113)
<b>At 31 March 2021</b>	<b>130,038</b>	<b>10,256</b>	<b>33,763</b>	<b>86,650</b>	<b>6,698</b>	<b>102,747</b>	<b>5,079</b>	<b>0</b>	<b>375,231</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2020	144	4,332	32,799	46,192	5,788	0	0	0	89,255
Depreciation charge	3,465	284	599	1,710	390	0	0	0	6,448
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	(844)	0	(1,948)	0	0	0	(2,792)
<b>At 31 March 2021</b>	<b>3,609</b>	<b>4,616</b>	<b>32,554</b>	<b>47,902</b>	<b>4,230</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>92,911</b>
<b>Net Book Value</b>									
At 31 March 2021	126,429	5,640	1,209	38,748	2,468	102,747	5,079	0	282,320
At 31 March 2020	129,392	5,856	1,808	39,332	1,288	92,978	5,681	0	276,335

## 22. Property, Plant and Equipment (continued)

### Comparative Movements in 2019/20:

	Land & Buildings £000	Plant & Machinery £000	Rolling Stock & Vehicles £000	Infra-structure Assets £000	Sundry Assets £000	Assets Under Construction £000	Investment Properties £000	Investment Properties Held for Sale £000	Total £000
<b>Cost or Valuation</b>									
At 1 April 2019	116,810	9,043	37,367	84,590	7,298	83,883	5,916	0	344,907
Additions	203	67	0	934	282	22,953	0	0	24,439
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,995	0	0	0	0	0	0	0	5,995
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,137)	0	0	0	0	0	(90)	0	(6,227)
Derecognition – Disposals	0	(5)	(2,760)	0	(504)	0	(255)	0	(3,524)
Transfers	12,665	1,083	0	0	0	(13,858)	110	0	0
<b>At 31 March 2020</b>	<b>129,536</b>	<b>10,188</b>	<b>34,607</b>	<b>85,524</b>	<b>7,076</b>	<b>92,978</b>	<b>5,681</b>	<b>0</b>	<b>365,590</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2019	7,547	4,092	34,179	44,503	5,546	0	0	0	95,867
Depreciation charge	3,208	243	1,358	1,689	718	0	0	0	7,216
Depreciation written out to the Revaluation Reserve	(7,079)	0	0	0	0	0	0	0	(7,079)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(3,532)	0	0	0	0	0	0	0	(3,532)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – Disposals	0	(3)	(2,738)	0	(476)	0	0	0	(3,217)
<b>At 31 March 2020</b>	<b>144</b>	<b>4,332</b>	<b>32,799</b>	<b>46,192</b>	<b>5,788</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>89,255</b>
<b>Net Book Value</b>									
<b>At 31 March 2020</b>	<b>129,392</b>	<b>5,856</b>	<b>1,808</b>	<b>39,332</b>	<b>1,288</b>	<b>92,978</b>	<b>5,681</b>	<b>0</b>	<b>276,335</b>
<b>At 31 March 2019</b>	<b>109,263</b>	<b>4,951</b>	<b>3,188</b>	<b>40,087</b>	<b>1,752</b>	<b>83,883</b>	<b>5,916</b>	<b>0</b>	<b>249,040</b>

## 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 Commitment as at 31 March 2021 £	Contract Completion Dates
Subway Modernisation	86,564,379	Various
Subway Infrastructure Projects	15,004,298	Various
Bus Operations	2,386,271	Various
Subway Operations	173,302	Various
Other	130,934	Various
<b>Total</b>	<b>104,322,695</b>	

### Valuations

To comply with the Code, land and buildings were valued by external valuers, the Valuation Office Agency, as follows:

- In Use (Operational) Assets were valued at 31 March 2020; and
- Investment Assets were valued at 31 March 2021.

The valuations of land and buildings were prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors, in so far as they are consistent with the IFRS standards and CIPFA Code interpretation.

The basis of value applied was as follows:

#### a) In Use (Operational) Assets

- Valued to Current Value in existing use having regard to the service potential that an asset provides in support of the entity's service delivery.
- The measurement approaches used to arrive at the Current Value of In Use Assets are, for non-specialised operational assets, Existing Use Value (EUV) and for specialised operational assets Depreciated Replacement Cost (DRC).
- The assumption has been made that the properties valued will continue to be held by SPT for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

#### b) Investment Assets

- Valued to Fair Value as defined by IFRS 13, which equates to being the Market Value of the legal interest held.

The valuation exercise in 2020 excluded Partick Bus Station and Bridge Street Subway Station since these Operational Assets were valued in 2019 following completion of extensive modernisation work. Management have considered the valuations performed in 2019 and, as they are not aware of any material change in value, the valuations have not been updated for these two properties.



### 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.

2019/20 £000		2020/21 £000
0	<b>Opening Capital Financing Requirement</b>	0
	<b>Capital investment:</b>	
24,439	Property, Plant and Equipment	13,056
35	Intangible Assets	254
11,884	Revenue expenditure funded from capital under statute	9,749
	<b>Sources of finance:</b>	
25	Capital receipts	0
(36,383)	Government grants and other contributions	(23,059)
0	Revenue contributions	0
0	<b>Closing Capital Financing Requirement</b>	0

### 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. Short-term Investments

31 March 2020 £000		31 March 2021 £000
115,286	Deposits with banks and building societies	100,902
<b>115,286</b>	<b>Total</b>	<b>100,902</b>

SPT currently holds substantial balances which will be used to fund the Subway Modernisation programme and other future Subway initiatives. It is envisaged that the balances will be significantly reduced over the coming financial years.

## 26. Inventories

2019/20 £000		2020/21 £000
602	Balance at start of year	662
1,285	Purchases	986
(1,225)	Recognised as an expense in the year	(954)
<b>662</b>	<b>Balance at end of year</b>	<b>694</b>

Inventories include both bus infrastructure and Subway stock holdings.

## 27. Short-term Debtors

31 March 2020 £000		31 March 2021 £000
1,393	Trade Receivables	672
2,123	Prepayments and Accrued Income	5,591
523	Other receivables amounts	1,427
<b>4,039</b>	<b>Total</b>	<b>7,690</b>

## 28. Short-term Creditors

31 March 2020 £000		31 March 2021 £000
2,528	Trade Payables	6,307
13,681	Accruals and Prepaid Income	12,226
3,265	Other payables amounts	3,851
<b>19,474</b>	<b>Total</b>	<b>22,384</b>

## 29. Provisions

	Injury and Damage Compensation Claims £000	Total £000
<b>Balance at 1 April 2020</b>	<b>207</b>	<b>207</b>
Additional provisions made in 2020/21	24	24
Amounts used in 2020/21	(12)	(12)
Unused amounts reversed in 2020/21	(183)	(183)
<b>Balance at 31 March 2021</b>	<b>36</b>	<b>36</b>

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.

## 30. Contingent Liabilities

At 31 March 2021 SPT did not have any contingent liabilities (2019/20: nil).

### 31. Financial Instruments

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

#### Financial Assets

	Non-Current		Cash and Investments		Current		Total
	Investments in Joint Ventures and Associates				Debtors		
	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	
Amortised Cost	5	5	168,521	172,328	4,039	7,690	180,023
<b>Total</b>	<b>5</b>	<b>5</b>	<b>168,521</b>	<b>172,328</b>	<b>4,039</b>	<b>7,690</b>	<b>180,023</b>

#### Financial Liabilities

	Non-Current		Current		Total
	Creditors		Creditors		
	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	
Amortised Cost	0	0	19,474	22,384	22,384
<b>Total</b>	<b>0</b>	<b>0</b>	<b>19,474</b>	<b>22,384</b>	<b>22,384</b>

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

The gain incurred by SPT in 2020/21 was an interest gain of £0.877 million (2019/20: £1.689 million). There was no expense as SPT is debt free at present.

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

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

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

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

#### Credit Risk

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

The risk is minimised through the Annual Investment Strategy, which is available on SPT's website at [spt.co.uk/documents/latest/SP070220\\_Agenda9.pdf](https://spt.co.uk/documents/latest/SP070220_Agenda9.pdf)

#### Credit Risk Management Practices

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

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

### 32. Nature and Extent of Risk Arising from Financial Instruments (Continued)

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 2020 £000		Amount as at 31 March 2021 £000	Historical Experience of Non-payment Adjusted for Market Conditions %	Estimated Maximum Exposure to Default and Un-collectability £000
169,212	Deposits with banks and other financial institutions	172,715	0	0
1,393	Customers	672	0.01	0
<b>170,605</b>	<b>Total</b>	<b>173,387</b>		<b>0</b>

#### Liquidity Risk

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

#### Market Risk

Movements in market interest rates expose 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.

### 32. Nature and Extent of Risk Arising from Financial Instruments (Continued)

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

31 March 2020 £000	Estimated Financial Effect	31 March 2021 £000
(1,661)	Increase in interest receivable on variable rate investments	(1,727)
<b>(1,661)</b>	<b>Net theoretical impact on I&amp;E Account</b>	<b>(1,727)</b>

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.

### 33. 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 Parties on page 55.

Group accounts 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 Scott-Moncrieff. The other sections of the Remuneration Report were reviewed by Azets Audit Services to ensure that they are consistent with the financial statements.

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

Total Remuneration 2019/20 £		Salary, Fees & Allowances £	Total Remuneration 2020/21 £
150,613	Gordon MacLennan: Chief Executive	153,527	153,527
128,499	Valerie Davidson: Assistant Chief Executive (Business Support)	130,753	130,753
936	Eric Stewart: Assistant Chief Executive (Operations) to 14/04/2018*	0	0
<b>280,048</b>	<b>Total</b>	<b>284,280</b>	<b>284,280</b>

\* Remuneration for the year relates to back dated pay award only.

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 2019/20 £		Salary, Fees & Allowances £	Total Remuneration 2020/21 £
21,602	Dr Martin Bartos, Chair	22,077	22,077
11,852	Alan Moir, Vice Chair	12,111	12,111
9,676	David Wilson, Vice Chair	9,887	9,887
<b>43,130</b>	<b>Total</b>	<b>44,075</b>	<b>44,075</b>

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.

2019/20 £000		2020/21 £000
0	Salaries	0
43	Allowances	44
1	Expenses	1
<b>44</b>	<b>Total</b>	<b>45</b>

SPT is committed to promoting openness and transparency and therefore publishes Members' expenses at [spt.co.uk](http://spt.co.uk).

The pension entitlements of senior employees for the year to 31 March 2021 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 2020 £	Year to 31 March 2021 £		Year to 31 March 2020 £	Year to 31 March 2021 £
Gordon MacLennan: Chief Executive (1)	29,068	29,631	Pension	34,882	38,862
			Lump sum	13,793	14,207
Valerie Davidson: Assistant Chief Executive (Business Support) (2)	24,800	25,235	Pension	60,261	64,340
			Lump Sum	102,868	105,955
Eric Stewart: Assistant Chief Executive (Operations) to 14/04/2018* (3)	12	0	Pension	0	0
			Lump Sum	0	0

(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) Contributions for the year relate to back dated pay award only.

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 most employees is 65, however it is based on state pension age.

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 tier rates for 2020-21 have stayed the same as they were for 2019-20. Tiers are as follows: Whole time pay	Contribution rate 2020/21	Contribution rate 2019/20
On earnings up to and including £22,200	5.5%	
On earnings above £22,001 and up to £27,100	7.25%	
On earnings above £27,101 and up to £37,200	8.5%	
On earnings above £37,201 and up to £49,600	9.5%	
On earnings of £49,601 and above	12%	
On earnings up to and including £21,800		5.5%
On earnings above £21,801 and up to £26,700		7.25%
On earnings above £26,701 and up to £36,600		8.5%
On earnings above £36,601 and up to £48,800		9.5%
On earnings of £48,801 and above		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	2019/20 Number of employees	2020/21 Number of employees
£50,000 - £54,999	21(1)	22 (1)
£55,000 - £59,999	5	4
£60,000 - £64,999	5	3
£65,000 - £69,999	9	10
£70,000 - £74,999	4(1)	3
£75,000 - £79,999	8	5
£80,000 - £84,999	1	3
£85,000 - £89,999	1	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	3(2)	0
£105,000 - £109,999	0	2
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	1	0
£130,000 - £134,999	0	1
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	0
£150,000 - £154,999	1	1

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 tables below:

Exit package cost band	2019/20 Number of compulsory redundancies	2019/20 Number of other departures	2020/21 Number of compulsory redundancies	2020/21 Number of other departures
£0 - £20,000	0	0	1	0
£20,001 - £40,000	0	3	0	1
£40,001 - £60,000	0	0	0	1
£60,001 - £80,000	0	1	0	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	2	1	1	0
£150,001 - £200,000	0	0	0	0
<b>Total</b>	<b>2</b>	<b>5</b>	<b>2</b>	<b>2</b>

Exit package cost band	2019/20 Total number of exit packages by cost band	2019/20 Total cost of exit packages (£000)	2020/21 Total number of exit packages by cost band	2020/21 Total cost of exit packages (£000)
£0 - £20,000	0	0	1	15
£20,001 - £40,000	3	82	1	20
£40,001 - £60,000	0	0	1	40
£60,001 - £80,000	1	61	0	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	3	394	1	135
£150,001 - £200,000	0	0	0	0
<b>Total</b>	<b>7</b>	<b>537</b>	<b>4</b>	<b>210</b>

## Facility Time

The tables below fulfil SPT's publication requirements under The Trade Union (Facility Time Publication Requirements) Regulations 2017 and covers the financial year 2020/21.

**Table 1 - Relevant union officials**

The table below represents the total number of employees who were relevant union officials during the year.

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
15	15

**Table 2 - Percentage of time spent on facility time**

Union officials working hours spent on facility time, shown in percentage ranges.

Percentage of time	Number of employees
0%	6
1% – 50%	9
51% – 99%	0
100%	0

**Table 3 - Percentage of pay bill spent on facility time**

Description	Figures
Total cost of facility time	£2,212
Total pay bill	£21,036,046
Percentage of the total pay bill spent on facility time	0.01%

**Table 4 - Paid trade union activities**

The table below shows the time spent on paid trade union activities as a percentage of total paid facility time hours.

Time spent on paid trade union activities as a percentage of total paid facility time hours
0%

\*The information reported in respect of Facility Time is incomplete due to some union officials not submitting returns detailing the time that they have spent on union duties.

**Martin Bartos**  
Chair  
XX September 2021

**Valerie Davidson**  
Acting Chief Executive  
XX September 2021

# Independent auditor's report to the members of Strathclyde Partnership for Transport and the Accounts Commission

## Report on the audit of the financial statements

### Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Strathclyde Partnership for Transport for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, Movement in Reserves Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the body as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

### Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is 5 years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

### Risks of material misstatement

We report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our judgements thereon.



## Responsibilities of the Assistant Chief Executive and the Partnership for the financial statements

As explained more fully in the Statement of Responsibilities, the Assistant Chief Executive is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Assistant Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Assistant Chief Executive is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Partnership is responsible for overseeing the financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other requirements

### Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

We have audited the part of the Remuneration Report described as audited. In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

### Statutory other information

The Assistant Chief Executive is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement and Statement of Financial Control, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement and Statement of Financial Control to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement and Statement of Financial Control

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement and Statement of Financial Control for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

## Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

## Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

**Gary Devlin** (for and on behalf of Azets Audit Services)

Exchange Place 3  
Semple Street  
Edinburgh EH3 8BL  
XX September 2021

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

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# Members of the Joint Committee

Members of the Joint Committee as at 31 March 2021

## Member

**Councillor Graham Hardie**

**Councillor Jim Roberts**

**Councillor Alan Moir**

**Councillor Alan Lafferty**

**Councillor Malcolm Balfour**

**Councillor Martin Bartos**

**Councillor David Wilson**

**Councillor Donald Reid**

**Councillor Michael McPake**

**Councillor Cathy McEwan**

**Councillor Ian Cochrane**

**Councillor David Shearer**

**Councillor Marie McNair**

## Representing

Argyll & Bute Council

East Ayrshire Council

East Dunbartonshire Council

East Renfrewshire Council

Glasgow City Council

Strathclyde Partnership for Transport

Inverclyde Council

North Ayrshire Council

North Lanarkshire Council

Renfrewshire Council

South Ayrshire Council

South Lanarkshire Council

West Dunbartonshire Council

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

## Secretary / Treasurer

**Valerie Davidson**

Strathclyde Partnership for Transport

131 St. Vincent Street

Glasgow

G2 5JF

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

# Management Commentary

## Introduction

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

## About Strathclyde Concessionary Travel Joint Committee

SCTS covers the 12 councils within the designated Strathclyde Partnership for Transport area, and all councils are represented on the Joint Committee plus the chair of Strathclyde Partnership for Transport. The cost of the Scheme is met by the 12 councils. Strathclyde Partnership for Transport administers the Scheme on behalf of the Joint Committee.

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

## Scope of the Scheme

The Strathclyde Concessionary Travel Scheme (“the scheme”) offers reduced fares on ScotRail services, which start and finish within the Scheme’s boundaries, on Glasgow’s Subway and on local ferries for anyone who lives on an island or peninsula and meets the qualifying criteria.

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

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

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

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

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

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

<b>2010-11</b>	
Increased the basic concessionary fare on rail and Subway by a maximum of 20p.	
Re-introduced a basic concessionary fare on ferry services included within SCTS.	<b>2011-12</b>
Introduced a Price differential between single and return basic concessionary fare i.e. single 60p and return £1.	Increased the basic concessionary fare from 60p single and £1 return to 80p single and £1.20 return.
<b>2012-13</b>	
	Re-introduced a 10-mile basic concession fare boundary for ferry services.
Updated operator reimbursement calculations.	Re-introduced a cap on concessionary ferry fares for services to designated rural areas beyond 10 mile at 2 x basic concession.
Introduced an evening-peak restriction on rail travel (between 16:30 and 18:30 hrs).	<b>2013-14</b>
Basic concessionary fare maintained at 80p single and £1.20 return.	Basic concessionary fare increased to 90p single and £1.30 return.
<b>2014-15</b>	
Basic concessionary fare maintained at 90p single and £1.30 return.	<b>2015-16</b>
<b>2016-17</b>	
Basic concessionary fare maintained at 90p single and £1.30 return.	Basic concessionary fare maintained at 90p single and £1.30 return.
<b>2017-18</b>	
<b>2018-19</b>	
	Basic concessionary fare increased to £1 single and £1.40 return.
Basic concessionary return fare increased to £1.50. No change to single fare.	<b>2019-20</b>
<b>2020-21</b>	
Approval by Joint Committee to increase the basic single and return fares by 50p. (Update: cancelled due to the impacts of the ongoing Covid-19 pandemic).	Basic concessionary fare maintained at £1 single and £1.50 return.

## Our Priorities

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

## Performance Reporting

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

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

## Treasury Management

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

[spt.co.uk/documents/latest/SP070220\\_Agenda9.pdf](https://spt.co.uk/documents/latest/SP070220_Agenda9.pdf)

## Management of Risk

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

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

## Preparation of the Annual Accounts

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

## Review of Performance

SCTS's comprehensive income and expenditure statement for the year ended 31 March 2021 is shown on page 98.

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

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



## Balance Sheet

The Balance Sheet is shown on page 99 and provides details of SCTS's assets and liabilities as at 31 March 2021.

## Cash Flow Statement

The Cash Flow Statement and the accompanying notes on page 100 summarise the inflows and outflows of cash arising from transactions with third parties for revenue purposes during the year.

## Movement in Reserves Statement

The Movement in Reserves Statement reported on page 101 shows the general reserves held by the SCTS as at 31 March 2021. The Joint Committee has in recent years implemented a policy of reducing the level of balances held to a level more commensurate with the local Scheme costs. This action has been taken by the Joint Committee following consultation with the funding bodies.

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

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

## Look Ahead

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

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

## Membership of the Joint Committee

Details of representation on the Joint Committee at 31 March 2021 are shown on page 83.

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

**Neil Wylie**

Secretary / Treasurer

XX September 2021

# Statement of Responsibilities

## The Joint Committee's responsibilities

### The Joint Committee is required to:

- Make arrangements for the proper administration of the scheme and its financial affairs. The responsibility for the administration of the scheme on a day to day basis has been delegated to Strathclyde Partnership for Transport;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Ensure the Annual Accounts are prepared in accordance with legislation (the Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government Scotland Act 2003); and
- Approve the Annual Accounts for signature.

**I certify that the Annual Accounts have been approved for signature by the Partnership at its meeting on 17 September 2021.**

**Neil Wylie**

Secretary / Treasurer

XX September 2021

## The Treasurer's responsibilities

The Treasurer is responsible for the preparation of the Scheme's statement of accounts in accordance with proper practices as set out in CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code of Practice").

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

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code of Practice.

### The Treasurer has also:

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

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

# Annual Governance Statement and Statement of Financial Control

## Scope of the Governance Framework

Although Strathclyde Concessionary Travel Scheme (SCTS) Joint Committee is a separate legal entity, due to the administrative relationship between SCTS and Strathclyde Partnership for Transport (SPT), there are a number of shared systems between the two bodies. The corporate governance and internal financial control arrangements that govern SCTS are also that of SPT.

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

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

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

## The Purpose of the Governance Framework

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

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

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

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

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

## The Governance Framework

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

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

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

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

Principle B: Ensuring openness and comprehensive stakeholder engagement.

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

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

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

SPT interacts and engages with stakeholders and publishes annual reports, financial statements, service performance information and the results of customer surveys.

In addition, communications are maintained through the local and national press, our website, staff intranet pages and officer and/or member representation at public meetings.

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

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

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

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

The Annual Statement on Sustainable Economic Growth sets out the steps that SPT has taken in 2019/2020 to promote and increase sustainable growth through the exercise of its functions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Monitoring and Review of Governance Arrangements

SPT's governance arrangements are formally monitored via:

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

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

## Statutory Role

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

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

## System of Internal Financial Control

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

This statement applies to the 2020/2021 annual accounts for SPT. We acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned.

The system of internal financial control is based on a framework of regulations, policies, processes, administrative and authorisation procedures and controls, management supervision and a system of delegated authority and accountability.

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

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

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

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

Internal Audit reports identifying areas for improvement and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and action plans. It is management's responsibility to ensure that proper consideration is given to Internal Audit reports and that appropriate action is taken on recommendations. Reports are subsequently monitored by the section 95 officer, the Strategy Group and the Audit and Standards committee.

The effectiveness of internal financial controls is informed by officers throughout SPT and the Audit and Standards committee (as the scrutiny committee) and by the work of internal and external audit. It is SPT's view that the systems for internal control were effective during 2020/2021 with no identified material weaknesses, and will be improved through implementation of the recommended actions from internal and external audit reports, and continuous corporate business planning.

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

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

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

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

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

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

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

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

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

**Neil Wylie**  
Secretary / Treasurer

XX September 2021



# Accounting Policies

## General Principles

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

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

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

## 1. Basis of Preparation

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

### • Revenue income and debtors

All transactions relating to the period to 31 March 2021 have been matched and accounted for in the period to which they relate. Government grants and other contributions are accounted for on an accruals basis and are recognised as income when the conditions of entitlement have been satisfied and there is reasonable assurance that the monies will be received.

### • Revenue expenditure and creditors

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

## 2. Amounts Due to Operators

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

### 3. Corporate Costs

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

The recharge includes:

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

### 4. Retirement Benefits

In accordance with IAS19, SCTS is required to disclose certain information concerning assets, liabilities, income and expenditure relating to pension schemes for its employees.

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

### 5. Investments

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

### 6. Cash and Cash Equivalents

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

### 7. Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them i.e. VAT has a neutral impact on SCTS's income and expenditure.

### 8. Usable Reserves

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

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

## 9 Provisions and Contingent Liabilities

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

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

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

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

## 10. Related Party Transactions

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

## 11. Financial Instruments

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

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

## 12. Accounting Standards Issued Not Adopted

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

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

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

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

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

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

# Balance Sheet as at 31 March 2021

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

The unaudited accounts were issued on 4 June 2021 and the audited accounts were authorised for issue on 17 September 2021.

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

**Neil Wylie**

Secretary / Treasurer

XX September 2021

# Cash Flow Statement

## for the year ended 31 March 2021

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

# Movement in Reserves Statement

## Current year

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

## Comparative information for 2019/20

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

# Notes to the Financial Statements

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

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

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

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

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



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

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

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

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

### 4. Balance Sheet – Usable Reserves

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

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

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

## 6. Cash Flow Statement – Investing Activities

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

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

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

## 8. Short-term Investments

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

## 9. Short-term Debtors

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

## 10. Short-term Creditors

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

## 11. External Audit Costs

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

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

## 12. Related Parties

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

### Members and the 12 Local Authorities in Strathclyde

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

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

### Strathclyde Partnership for Transport (SPT)

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

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

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

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

### 13. Financial Instruments

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

#### Financial Assets

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

#### Financial Liabilities

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

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

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

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

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

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

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

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

##### Credit Risk

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

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

[spt.co.uk/documents/latest/sp070220\\_Agenda9.pdf](http://spt.co.uk/documents/latest/sp070220_Agenda9.pdf)

##### Credit Risk Management Practices

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

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

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

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

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

### Liquidity Risk

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

### Market Risk

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

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

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

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

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

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

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

The annual accounts were authorised for issue by the Treasurer on 17 September 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. As detailed in the management commentary the COVID-19 pandemic is having a significant impact operationally and financially on SCTS both in 2020/21 and moving forward.

### **16. Remuneration Report**

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



# Independent auditor's report to the members of Strathclyde Concessionary Travel Scheme Joint Committee and the Accounts Commission

## Report on the audit of the financial statements

### Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Strathclyde Concessionary Travel Scheme Joint Committee for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, Movement in Reserves Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the body as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

### Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is 5 years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

## Risks of material misstatement

We report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

## Responsibilities of the Treasurer and the Joint Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Joint Committee is responsible for overseeing the financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Reporting on other requirements

### Statutory other information

The Treasurer is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement and Statement of Financial Control and the Statement of Responsibilities.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement and Statement of Financial Control to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement and Statement of Financial Control

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement and Statement of Financial Control for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

## Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

## Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

**Gary Devlin** (for and on behalf of Azets Audit Services)

Exchange Place 3

Semple Street

Edinburgh EH3 8BL

XX September 2021



