



**2019/20 Draft Abstract of Accounts – Strathclyde Partnership for Transport**

**Committee**            Audit and Standards

**Date of meeting**    12 June 2020

**Date of report**    26 May 2020

**Report by Assistant Chief Executive**

**1. Object of report**

To provide the Committee with the draft abstract of accounts for financial year ending 31 March 2020 for Strathclyde Partnership for Transport (SPT) and to seek the Committee’s agreement to submit the accounts to the External Auditor by 30 June 2020.

**2. Background**

The Partnership is required to prepare financial statements having due regard to recognised accounting standards and specifically the Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020. Draft abstract of accounts are required to be submitted to the External Auditor for the purpose of audit no later than 30 June of each year.

**3. Outline of proposals**

Attached to this report is the prepared abstract of accounts for SPT for the financial year 2019/20. These have been prepared in accordance with the recognised standards and the Accounting Code of Practice.

Once the accounts have been subject to audit, a full set of audited accounts together with the report to those charged with governance will be submitted to the Audit & Standards Committee, prior to seeking the final approval of the Partnership.

**4. Committee action**

The Committee is asked to note the draft abstract of accounts for SPT for the financial year 2019/20 and, if appropriate, agree that these abstracts should be submitted to the External Auditor no later than 30 June 2020.

**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 *None.*

**Name** Valerie Davidson

**Title** **Assistant Chief Executive**

**Name** Gordon MacLennan

**Title** **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 2020

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# Members of Strathclyde Partnership for Transport

## Members of the Partnership as at 31 March 2020

### 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 Mark Kerr**

**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**

**Jo MacLennan**

**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

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 8 Appointed Members. The Partnership met on 4 occasions during 2019/20.

The directors of the organisation are defined as the **Chief Executive, Gordon MacLennan** 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.

SPT's Partnership Board is made up of 20 elected members representing 12 constituent councils, and in 2019/20 there were eight Appointed Members.

Since the local elections in May 2017, 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 a joined up network now and for the future. We provide subsidised local bus services, are instrumental in the delivery and growth of community transport, and provide demand responsive services — MyBus — in areas not served by the commercial market and in rural communities where public transport would otherwise be unavailable. We deliver on street bus shelters and stops, transport information and are a key influence in the design of the bus network.

SPT organises the biggest school run in Scotland – ensuring around 40,000 pupils get to and from school every day. We control and operate Buchanan, East Kilbride, Greenock and Hamilton bus stations with a total of around 1.3 million bus departures from our stations every year.

SPT also own and operate the Subway in Glasgow – the world's third oldest underground system and a vital part of the west of Scotland's transport network. The Subway carried just under 13 million passengers in 2019/20.

We continue with modernisation of the Subway which will transform the network and enhance our customers' travel experience. 2019/20 saw work continue 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 and the year saw the completion of the final station refurbishments at Kinning Park and West Street.

SPT's Subway continues to operate its Smartcard ticketing system, with to date more than 235,000 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 supporting an estimated 10 million journeys per annum – and on behalf of the 12 councils, the Strathclyde Concessionary Travel Scheme which provides discounted travel for those who are eligible on rail, subway and ferry.

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

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

- Attractive, seamless, reliable travel;
- Improved connectivity;
- Access for all; 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 effectively transferred the functions of Strathclyde Passenger Transport Authority (SPTA) and Executive (SPTE) to the regional transport partnership for the west of Scotland. This resulted in SPT assuming the majority of responsibilities and roles of the former SPTA and SPTE with effect from 1 April 2006.

## **Our priorities**

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

- **Attractive, seamless, reliable travel**

SPT believes that all modes of public transport in Strathclyde should be attractive, seamless and reliable. Those services should deliver regular, stable timetables which benefit existing passengers as well as attracting new customers.

To achieve this priority in 2019/20 there was a continuing major focus on Subway Modernisation and the Subway Tunnels and associated infrastructure. In addition, work continued to improve the bus services that we provide, to improve the associated bus infrastructure in our area and also to further develop the Smart and Integrated Ticketing services provided.

- **Improved connectivity**

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

We pursued this aim by extending the delivery of a new real time passenger information system to Buchanan Bus Station in conjunction with the installation of enhanced information screens, on delivering improved bus infrastructure in our area and supporting strategic rail enhancements, including rail park & ride schemes.

- **Access for all**

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

Our activity focussed on continuing to support the provision of socially necessary services, improving access to healthcare, and promoting equal access to public transport.

- **Reduced emissions**

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

In 2019/20, SPT focussed on reducing emissions through investing in active travel assets such as cycle and footpaths, as well as seeking improvements through the supply chain including the purchase of electric vehicles. In addition, SPT continues to focus on reducing its own carbon footprint through the continuation of energy reducing initiatives.

- **Improved service delivery**

SPT is focussed on not only delivering transport improvements for the public but we also work hard to ensure that we are delivering our work as effectively and efficiently as possible with a focus on delivering increased digitalisation in support of the drive for efficiency. 2019/20 saw the continuation of a structured Business Improvement Programme to further drive efficiencies in the organisation.

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

## Performance Reporting

SPT monitors its performance regularly and reports on its performance 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](http://spt.co.uk/corporate/about/minutes-agendas)

In addition, the full year performance is reported in the Annual Report 2020 and can be found at:

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

## Treasury Management

SPT has adopted in full 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 2019/20 Treasury Management Strategy can be found at:

[http://www.spt.co.uk/documents/latest/SPTP080319\\_Agenda7.pdf](http://www.spt.co.uk/documents/latest/SPTP080319_Agenda7.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](http://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 in 2020/21. The duration of these impacts and also the path back to 'normal' operations are unknown at this point. SPT will work with all relevant bodies, including Transport Scotland, to determine the most appropriate transition plan to increase services towards pre pandemic levels.

During the first quarter of 2020/21 SPT has maintained subway services albeit with a reduced frequency and operating hours. All major maintenance activities continue. Similarly, all bus stations remain in operation but with reduced staffing hours on premise at Buchanan Bus Station.

SPT managed bus services, subsidised local services, school contracts and demand responsive transport have all undergone significant, short notice changes which have required intensive support from the SPT bus team. In general, other services have continued after a rapid redeployment to home working for office based staff at HQ (131 St Vincent Street), Broomloan Depot and Buchanan Bus Station including Contact Centre staff dealing with MyBus and concessionary travel customers. Thus SPT has transitioned to new ways of working at very short notice and continued to provide both front end customer facing and back office services throughout this time.

The change in operations following the introduction of a national 'lock down' on 23 March 2020 has had a significant impact on SPT's income. Operational income in the first quarter has reduced by c. £1.5 million per month. Public transport across the UK has received financial support during the pandemic in recognition of its vital role in maintaining connectivity at this time. SPT is in dialogue with Transport Scotland with regards to obtaining similar support. SPT has sufficient cash available to ensure that the reduced income will not create any cash flow or borrowing issues. In addition, reserves have been created in 2019/20 which would be available 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 installation of a new wheel lathe and train wash in the year and the planned redevelopment of the Operational Depot in advance of the continued work on design and build of rolling stock, signalling and associated systems.

Delivery of the first three rolling stock units to the manufacturer's site in Glasgow occurred in 2019/20, this will be followed by an extensive period of onsite testing in 2020/21. 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 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 experiences to achieve a shared approach to delivering our transport future.

Work continued to develop the new Regional Transport Strategy for the SPT region with identification of the Key Issues that need to be addressed by the RTS.

Seven key issues were identified including: Transport Emissions; Public Transport Quality; Access for All; Active Living; Regional Connectivity; Technological Change and Innovation and Roles and Responsibilities. The development of the Key Issues were informed by the SPT Partnership Board and advisors, engagement with our partners, stakeholders and residents of the region including a public survey, review of the policy environment, analysis of data and Strategic Environmental Assessment and Equality Impact Assessment scoping processes.

Some changes were made to the strategy development process due to the COVID19 pandemic. The first public consultation on the Key Issues and Objectives was to take place in spring 2020, but a decision was taken to consolidate this with a future consultation phase.

The Transport (Scotland) Act 2019, seeks to address many issues in the transport landscape, including bus related matters. SPT will continue to engage with the Scottish Government and partners within the bus industry on what these solutions could be and how best they are implemented with the recent passing of this legislation.

## Smart and integrated ticketing

The Subway Smartcard continues to be a popular choice for customers with more than 235,000 cards in use and more than £5.1 million of Subway Pay As You Go credit purchased on smartcards in 2019/20. SPT joined with a host of public transport operators including ScotRail, McGill's, Stagecoach and Tripper cards in 2019/20, to ensure that any Smartcard from any operator now works across multiple modes of transport delivering real interoperability.

## 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 Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* which is based upon International Financial Reporting Standards (IFRS). Therefore, the Code, which remains the authoritative accounting standard for local authorities (and related bodies) across the UK, is based upon internationally common accounting practices.

The passing of the Transport (Scotland) Act 2019 removed a long standing issue affecting the preparation of SPT's annual accounts, whereby RTP's, including SPT were deemed unable to generate a surplus or deficit on the general fund and hence to add to reserves. That issue has now been resolved and consequently these accounts have been produced with reserves fully accounted for (see notes 3 and 4). Reserves have been established in accordance with the decision of the Partnership on 6 March 2020:

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

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

Pages 14 to 22 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 current economic environment continues to put pressure on various elements of funding and service costs. However, efficiency plans implemented over the last five years, and again in 2019/20 ensured that SPT services were delivered within budget and available funding. The COVID-19 pandemic did not have a material impact on SPT's finances in 2019/20 however as noted in the 'Look Ahead' the longer term impact is unknown at this stage.

SPT's net revenue budget was set at £36.500 million, of which £35.463 million was financed by requisition from the 12 local authority partners in the SPT area and £1.037 million was financed by Scottish Government direct



grants. Requisition and Scottish Government grant was received as budgeted for and no draw on reserves was required within the year.

As in 2018/19 a contribution to the Subway Fund was planned for 2019/20, in accordance with the Subway Modernisation Business Case submitted to the Scottish Government, and has been generated. A contribution of £14.915 million (2018/19: £16.238 million) was made during the year. In prior years, this was held as 'Receipts in Advance' (note 30). With the creation of earmarked reserves (see Note 4), this contribution and the previous 'Receipts in Advance' balance have been allocated in accordance with the Partnership's recently approved Reserves Policy.

## **Balance Sheet**

SPT's balance sheet is shown on page 24 of the annual accounts and provides details of SPT's assets and liabilities as at 31 March 2020. SPT continues to have significant balances under Short-term Investments and Cash and Cash Equivalents. The current balance for Short-term Investments is £115.286 million (2018/19: £119.217 million) and for Cash and Cash Equivalents the balance is £53.235 million (2019/20: £50,786 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 25 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 28 of the annual accounts shows the movement in revenue and capital reserves held by SPT as at 31 March 2020. The major movements in reserves in the year are as previously noted due to the reallocation of 'Receipts in Advance'. In addition: an increase in the Capital Fund of £0.064 million; a decrease in the Capital Grants Unapplied Account of £13.257 million; an increase in the Capital Adjustment Account of £15.207 million; an increase in the Revaluation Reserve of £11.790 million; and an increase in the Pension Reserve of £14.627 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 21 (page 50 of the annual accounts). Total expenditure in support of the programme amounted to £36.358 million (2018/19: £58.852 million). The programme was funded by: £23.1 million Scottish Government general capital grant; £13.312 million Scottish Government specific capital grant in support of Subway Modernisation; and minus £0.054 million other grants and contributions.

Capital expenditure relating to Subway Modernisation is slower than originally anticipated principally as a result of programme slippage. This is closely monitored and reported upon.

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 2019/20 some properties were revalued in accordance with the Code, resulting in an increase of £13.074 million to the Revaluation Reserve (see note 7, Balance Sheet - Unusable Reserves) and revaluation losses of £2.695 million charged to the Comprehensive Income and Expenditure Statement (CIES). As noted in Accounting Policies – Note 22, COVID-19 has the potential to create market uncertainty around property valuations. However, it was ascertained by the valuer 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. Although the valuers report was reported on the basis of 'material valuation uncertainty' it has been deemed that the impact of this uncertainty is not material in relation to the valuations within these accounts.

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 2019/20, no impairment losses have been identified and charged to the CIES in respect of Subway assets and the Bus Operations fleet.

### **Pension Assets and Liabilities**

The common position for employers participating in the Strathclyde Pension Fund is that the International Accounting Standard 19 (IAS19), 'Retirement Benefits' calculation (page 39 of the annual accounts) is based on a snapshot valuation as at 31 March 2020, which shows a deficit of £4.463 million (£19.090 million deficit, 2017/18). 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 2020 are shown on page 2 of the annual accounts.

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

**Martin Bartos**

Chair

18 September 2020

**Gordon MacLennan**

Chief Executive

18 September 2020

**Valerie Davidson**

Assistant Chief Executive

18 September 2020

DRAFT

# 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.

## The Assistant Chief Executive's responsibilities

The Assistant Chief Executive 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 2019/20 ("the Code of Practice").

In preparing these annual accounts, the Assistant Chief Executive 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 have been approved for signature by the Partnership at its meeting on 18 September 2020.**

**Martin Bartos**

Chair

18 September 2020

**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 2020.**

**Valerie Davidson**

Assistant Chief Executive

18 September 2020

# 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.

## 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 2019/2020, the following documents were reviewed:

An Equality and Diversity Monitoring report 2019 was presented to and noted by the Personnel committee at its meeting of 23 August 2019.

An update on the Code of Conduct for Members as it relates to SPT was presented to and approved by the Partnership at its meeting of 20 September 2019.

Revised Conditions of Service for all Employees and an update on the Expenses policy for Employees were presented to and approved by the Personnel committee at its meeting of 14 February 2020.

The Good Work Plan, a review of modern work practices, published by the UK Government, was presented, with four recommendations for implementation during 2020/2021, to and noted by the Personnel committee at its meeting of 14 February 2020.

### **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, and agendas, papers and minutes are published on our website in accordance with the Publication scheme.

An updated SPT Communications strategy 2020-2023 was presented to and adopted by the Partnership at its meeting of 6 March 2020, with an agreement that future reiterations also reflect more detail on how it is evaluated.

Strategic issues in the SPT area update reports including changes to legislation, national and regional strategy matters and local issues were presented to and noted by the Strategy & Programmes committee at each of its four meetings during 2019/2020.

**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 2018/2019 was presented to and approved by the Partnership at its meeting of 21 June 2019 and shared widely with all stakeholders.

A draft vision, outcomes and objectives report on the Regional Transport Strategy from 2021 was presented to and approved, for public consultation, by the Partnership at its meeting of 20 September 2019.

**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 2019/2020, this included the following documents:

A Bus Health & Safety plan 2019/2020 and a Subway Health & Safety plan 2019/2020 was presented to and noted by the Personnel committee at its meeting of 23 August 2019.

A SPT Digital Strategy 2020-2023 was presented to and approved by the Strategy & Programmes committee at its meeting of 22 November 2019. Future updates will follow on the delivery of this strategy.

**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.

A report on Apprenticeship and Graduate development activity within SPT was presented to and noted by the Personnel committee at its meeting of 23 August 2019.

In addition, the Partnership board undertook an externally facilitated board effectiveness workshop in February 2020, with an action plan developed for consideration during 2020/2021.

## **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;
- cyber incident response protocols, aligned with central mechanisms.

SPT maintained cyber essentials plus (CE+) accreditation in 2019.

SPT is currently reviewing the requirements and resource implications for alignment with the Scottish Public Sector Cyber Resilience Framework for implementation during 2020/2021.

Following amendments to the powers of SPT included in the Transport (Scotland) Act 2019, an updated Reserves Policy was presented to and approved by the Partnership at its meeting of 6 March 2020.

An updated Long Term Financial Strategy for SPT was presented to and approved by the Partnership at its meeting of 6 March 2020.

## **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 2018/2019 was presented to and noted by the Partnership at its meeting of 21 June 2019.

In addition, the Audit & Standards committee also prepared and approved a workplan for 2020/2021 at its meeting of 14 February 2020.

### **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 2019/2020 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 2019/2020 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.

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

Since this date, SPT business has continued to be conducted in line with 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) has met regularly during the lockdown period to note business continuity arrangements and approve the award of contracts.

Full committee programme is scheduled to meet in June and then from August.

**Martin Bartos**

Chair

18 September 2020

**Gordon MacLennan**

Chief Executive

18 September 2020

DRAFT

# Accounting Policies

## General Principles

The annual accounts for the year ended 31 March 2020 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 2019/20 (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 2019/20.

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 2020 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 2020 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.

#### 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.

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

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.

## 5. Retirement Benefits (continued)

### 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 43 to 49.

## 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.

## 11. Provisions and Contingent Liabilities (continued)

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.

## 15. Intangible Assets (continued)

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.

### 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

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

is recognised for the shortfall.

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

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

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

### Disposals 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).



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

Depreciation is calculated on the following bases:

| Category                            | Valuer          | Current Basis of Valuation  | Date of Last Valuation | Useful Life                                    |
|-------------------------------------|-----------------|---|------------------------|--|
| Land & Buildings                    | External Valuer | Lower of net current replacement cost or net realisable value in existing use | 31/03/2020             | Land - Not Applicable<br>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 | Market Value  | 31/03/2020             | 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 2019/20 Code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.
- Introduction of IFRS 16 Leases, which has been deferred until 2021/22

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 Markey 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.

Although the valuers report was reported on the basis of 'material valuation uncertainty' it has been deemed that the impact of this uncertainty is not material in relation to the valuations within these accounts.

- 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

| Item              | Uncertainties  | Effect if   |
|-------------------|--|---|
| Pension 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. | The sensitivities regarding the principal assumptions used by the consulting actuaries to measure the scheme liabilities are set out below: <ul style="list-style-type: none"> <li>• A 0.5% decrease in the real discount rate would result in a 9% increase (£21.135 million) in the employer's obligation.</li> <li>• A 0.5% increase in the salary increase rate would result in a 1% increase (£3.434 million) in the employer's obligation.</li> <li>• A 0.5% increase in the pension increase rate would result in a 8% increase (£17.391 million) in the employer's obligation.</li> </ul> |

# Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

| 2018/19                   |                      |  | 2019/20  |                           |                      |  |
|---------------------------|----------------------|--|--|---------------------------|----------------------|--|
| Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure of Continuing Operations<br>£000 |  | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure of Continuing Operations<br>£000 |
| 28,933                    | (21,222)             | 7,711  | Subway operations  | 28,613                    | (21,794)             | 6,819  |
| 22,027                    | (3,014)              | 19,013   | Bus operations   | 20,875                    | (2,615)              | 18,260   |
| 2,456                     | 0                    | 2,456  | Operations - Other   | 2,024                     | 0                    | 2,024  |
| 3,817                     | 0                    | 3,817  | Business Support   | 4,352                     | (266)                | 4,086  |
| 16,361                    | (1,373)              | 14,988   | Corporate  | 19,619                    | (1,289)              | 18,330   |
| <b>73,594</b>             | <b>(25,609)</b>      | <b>47,985</b>                                    | <b>Cost Of Services</b>  | <b>75,483</b>             | <b>(25,964)</b>      | <b>49,519</b>                                    |
|                           |                      |  | 0 Other Operating Expenditure (Note 5)   |                           |                      | 268  |
|                           |                      |  | (1,920) Financing and Investment Income and Expenditure (note 6)                             |                           |                      | (1,732)  |
|                           |                      |  | (58,338) Taxation and Non-Specific Grant Income (note 7)                                     |                           |                      | (110,909)  |
|                           |                      |  | <b>(12,273) Surplus on Provision of Services</b>   |                           |                      | <b>(62,854)</b>                                  |
|                           |                      |  | (284) Revaluation of non-current assets (note 9, Revaluation Reserve)                        |                           |                      | (13,074)   |
|                           |                      |  | 10,012 Actuarial (gains) / losses on pension assets / liabilities (note 9, Pensions Reserve) |                           |                      | (18,688)   |
|                           |                      |  | 0 Other Comprehensive Income and Expenditure   |                           |                      | 0  |
|                           |                      |  | <b>Total Comprehensive Income and Expenditure</b>  |                           |                      | <b>(94,616)</b>                                  |

## Balance Sheet as at 31 March 2020

| 31 March<br>2019<br>£000 |  | Note | 31 March<br>2020<br>£000 |
|--------------------------|--|------|--------------------------|
| 243,124                  | Property, Plant & Equipment                  | 22   | 270,654                  |
| 5,916                    | Investment Properties                        | 19   | 5,681                    |
| 0                        | Assets Held for Sale                         | 25   | 0                        |
| 724                      | Intangible Assets                            | 20   | 426                      |
| 5                        | Investments in Joint Ventures and Associates | 35   | 5                        |
| <b>249,769</b>           | <b>Long-term Assets</b>                      |      | <b>276,766</b>           |
| 119,217                  | Short-term Investments                       | 26   | 115,286                  |
| 602                      | Inventories                                  | 27   | 662                      |
| 7,539                    | Short-term Debtors                           | 28   | 4,039                    |
| 50,786                   | Cash and Cash Equivalents                    | 12   | 53,235                   |
| <b>178,144</b>           | <b>Current Assets</b>                        |      | <b>173,222</b>           |
| (25,863)                 | Short-term Creditors                         | 29   | (19,474)                 |
| (449)                    | Provisions                                   | 31   | (207)                    |
| <b>(26,312)</b>          | <b>Current Liabilities</b>                   |      | <b>(19,681)</b>          |
| (51,283)                 | Receipts in Advance                          | 30   | 0                        |
| (19,090)                 | Other Long-term Liabilities (Pensions)       | 14   | (4,463)                  |
| <b>(70,373)</b>          | <b>Long-term Liabilities</b>                 |      | <b>(4,463)</b>           |
| <b>331,228</b>           | <b>Net Assets</b>                            |      | <b>425,844</b>           |
| (108,140)                | Usable Reserves                              | 8    | (161,145)                |
| (223,088)                | Unusable Reserves                            | 9    | (264,699)                |
| <b>(331,228)</b>         | <b>Total Reserves</b>                        |      | <b>(425,844)</b>         |

The unaudited accounts were issued on x June 2020 and the audited accounts were authorised for issue on 18 September 2020.

**Valerie Davidson**

Assistant Chief Executive

18 September 2020

## Cash Flow Statement for the year ended 31 March 2020

| 2018/19<br>£000 |   | 2019/20<br>£000 |
|-----------------|---|-----------------|
| (12,273)        | Net (surplus) or deficit on the provision of services   | (62,854)        |
| (46,973)        | Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 10)                                   | 28,017          |
| 1,379           | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 1,689           |
| (57,867)        | Net cash flows from Operating Activities  | (33,148)        |
| 71,180          | Investing Activities (note 11)  | 30,699          |
| 13,313          | Net (increase) or decrease in cash and cash equivalents   | (2,449)         |
| 64,099          | Cash and cash equivalents at the beginning of the reporting period  | 50,786          |
| <b>50,786</b>   | <b>Cash and cash equivalents at the end of the reporting period (note 12)</b>   | <b>53,235</b>   |

## Movement in Reserves Statement

### Current Year

|   | General Fund Balance<br>£000 | Insurance Fund<br>£000 | Capital Fund<br>£000 | Renewal and Repair Fund<br>£000 | Capital Grants Unapplied Account<br>£000 | Total Usable Reserves<br>£000 | Total Unusable Reserves<br>£000 | Total Partnership Reserves<br>£000 |
|---|------------------------------|------------------------|----------------------|---------------------------------|--|-------------------------------|---------------------------------|------------------------------------|
| <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  | (62,854)                     | 0                      | 0                    | 0                               | 0  | (62,854)                      | (31,762)                        | (94,616)                           |
| Transfers to / (from) statutory reserves  | 2,500                        | (1,000)                | 0                    | (1,500)                         | 0  | 0                             | 0                               | 0                                  |
| Adjustments between accounting basis and funding basis under regulations (note 3) | (3,344)                      | 0                      | (64)                 | 0                               | 13,257                                   | 9,849                         | (9,849)                         | 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>(41,611)</b>                 | <b>(94,616)</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>(264,699)</b>                | <b>(425,844)</b>                   |

### Comparative Information for 2018/19

|   | General Fund Balance<br>£000 | Insurance Fund<br>£000 | Capital Receipts Reserve<br>£000 | Renewal and Repair Fund<br>£000 | Capital Grants Unapplied Account<br>£000 | Total Usable Reserves<br>£000 | Total Unusable Reserves<br>£000 | Total Partnership Reserves<br>£000 |
|---|------------------------------|------------------------|----------------------------------|---------------------------------|--|-------------------------------|---------------------------------|------------------------------------|
| <b>Balance at 31 March 2018</b>   | <b>(11,169)</b>              | <b>0</b>               | <b>(23,989)</b>                  | <b>0</b>                        | <b>(92,202)</b>                          | <b>(127,360)</b>              | <b>(201,323)</b>                | <b>(328,683)</b>                   |
| <b>Movement in reserves during 2018/19</b>  |                              |                        |                                  |                                 |  |                               |                                 |                                    |
| Total comprehensive income and expenditure  | (12,273)                     | 0                      | 0                                | 0                               | 0  | (12,273)                      | 9,728                           | (2,545)                            |
| Adjustments between accounting basis and funding basis under regulations (note 3) | 12,273                       | 0                      | (1,994)                          | 0                               | 21,214                                   | 31,493                        | (31,493)                        | 0                                  |
| <b>(Increase) / decrease in 2018/19</b>   | <b>0</b>                     | <b>0</b>               | <b>(1,994)</b>                   | <b>0</b>                        | <b>21,214</b>                            | <b>19,220</b>                 | <b>(21,765)</b>                 | <b>(2,545)</b>                     |
| <b>Balance at 31 March 2019 carried forward</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>                   |



# Notes to the Financial Statements

## 1A. Expenditure and Funding Analysis for the year ended 31 March 2020

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.

| 2018/19   |  |   | 2019/20                                |   |  |   |
|---|--|---|--|---|--|---|
| Net Expenditure / (Income) Chargeable to the General Fund<br>£000 | Adjustments between the Funding and Accounting Basis<br>£000 | Net Expenditure in the Comprehensive Income and Expenditure Statement<br>£000 |  | Net Expenditure / (Income) Chargeable to the General Fund<br>£000 | Adjustments between the Funding and Accounting Basis<br>£000 | Net Expenditure in the Comprehensive Income and Expenditure Statement<br>£000 |
| (857)   | 8,568  | 7,711   | Subway operations                      | (35)  | 6,854  | 6,819   |
| 15,334  | 3,679  | 19,013  | Bus operations                         | 15,465  | 2,795  | 18,260  |
| 1,786   | 670  | 2,456   | Operations - other                     | 1,604   | 420  | 2,024   |
| 2,985   | 832  | 3,817   | Business Support                       | 3,489   | 597  | 4,086   |
| 1,452   | 13,536   | 14,988  | Corporate                              | 1,062   | 17,268   | 18,330  |
| 16,238  | (16,238)   | 0   | Contribution to Subway Fund            | 14,915  | (14,915)   | 0   |
| <b>36,938</b>   | <b>11,047</b>  | <b>47,985</b>   | <b>Cost Of Services</b>                | <b>36,500</b>   | <b>13,019</b>  | <b>49,519</b>   |
| (36,938)  | (23,320)   | (60,258)  | Other Income and Expenditure           | (36,500)  | (75,873)   | (112,373)   |
| <b>0</b>  | <b>(12,273)</b>  | <b>(12,273)</b>   | <b>(Surplus) or Deficit</b>            | <b>0</b>  | <b>(62,854)</b>  | <b>(62,854)</b>   |
| (11,169)  |  |   | Opening General Fund Balance           | (11,169)  |  |   |
| 0   |  |   | Less (Surplus)/Deficit on General Fund | 3,302   |  |   |
| <b>(11,169)</b>   |  |   | <b>Closing General Fund Balance</b>    | <b>(7,867)</b>  |  |   |

**1B. Note to the Expenditure and Funding Analysis Statement (2019/20) –  
Adjustments from General Fund to arrive at the Comprehensive Income and  
Expenditure Statement amounts**

|   | Adjustments<br>for Capital<br>Purposes<br>£000 | Net change<br>for the<br>Pension<br>Adjustments<br>£000 | Other<br>Differences<br>£000 | Total<br>Adjustments<br>£000 |
|---|--|---|------------------------------|------------------------------|
| Subway operations   | 4,861  | 1,945   | 48                           | 6,854                        |
| Bus operations  | 1,913  | 519   | 363                          | 2,795                        |
| Operations - Other  | 0  | 420   | 0                            | 420                          |
| Business Support  | 0  | 597   | 0                            | 597                          |
| Corporate   | 15,263   | 82  | 1,923                        | 17,268                       |
| Contribution to Subway Fund   | (14,915)                                       | 0   | 0                            | (14,915)                     |
| <b>Cost Of Services</b>   | <b>7,122</b>                                   | <b>3,563</b>  | <b>2,334</b>                 | <b>13,019</b>                |
| <b>Other income and expenditure from the<br/>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<br/>surplus or deficit and Comprehensive<br/>Income and Expenditure Statement<br/>surplus on the Provision of Services</b> | <b>(55,021)</b>                                | <b>4,062</b>  | <b>(11,895)</b>              | <b>(62,854)</b>              |

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

**Comparative Information for 2018/19**

|   | Adjustments<br>for Capital<br>Purposes<br>£000 | Net change<br>for the<br>Pension<br>Adjustments<br>£000 | Other<br>Differences<br>£000 | Total<br>Adjustments<br>£000 |
|---|--|---|------------------------------|------------------------------|
| Subway operations   | 5,520  | 2,989   | 59                           | 8,568                        |
| Bus operations  | 2,284  | 1,038   | 357                          | 3,679                        |
| Operations - Other  | 0  | 670   | 0                            | 670                          |
| Business Support  | 0  | 832   | 0                            | 832                          |
| Corporate   | 11,767   | 143   | 1,626                        | 13,536                       |
| Contribution to Subway Fund   | (16,238)                                       | 0   | 0                            | (16,238)                     |
| <b>Cost Of Services</b>   | <b>3,333</b>                                   | <b>5,672</b>  | <b>2,042</b>                 | <b>11,047</b>                |
| <b>Other income and expenditure from the<br/>Expenditure and Funding Analysis</b>   | <b>(10,646)</b>                                | <b>161</b>  | <b>(12,835)</b>              | <b>(23,320)</b>              |
| <b>Difference between General Fund<br/>surplus or deficit and Comprehensive<br/>Income and Expenditure Statement<br/>surplus on the Provision of Services</b> | <b>(7,313)</b>                                 | <b>5,833</b>  | <b>(10,793)</b>              | <b>(12,273)</b>              |

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

Income received on a segmental basis is analysed below:

|   | 2018/19<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| <b>Subway operations</b>                          |                 |                 |
| -Ticket Income                                    | (19,911)        | (20,155)        |
| -Advertising Income                               | (1,156)         | (1,223)         |
| -Miscellaneous Income                             | (155)           | (415)           |
| -Rental Income                                    | (59)            | (48)            |
| <b>Total Subway Income</b>                        | <b>(21,281)</b> | <b>(21,841)</b> |
| <b>Bus operations</b>                             |                 |                 |
| -Bus Departures and Parking                       | (1,343)         | (1,290)         |
| -Agency Services                                  | (798)           | (825)           |
| -Miscellaneous Income                             | (507)           | (431)           |
| -Rental Income                                    | (357)           | (363)           |
| -Bus Station Facilities                           | (237)           | (200)           |
| -Advertising                                      | (129)           | (136)           |
| <b>Total Bus Income</b>                           | <b>(3,371)</b>  | <b>(3,245)</b>  |
| <b>Corporate</b>                                  |                 |                 |
| -Interest Received                                | (1,379)         | (1,689)         |
| -Agency Services                                  | (1,240)         | (1,240)         |
| -Rental Income                                    | (221)           | (221)           |
| -Miscellaneous Income                             | (132)           | (49)            |
| <b>Total Corporate Income</b>                     | <b>(2,972)</b>  | <b>(3,199)</b>  |
| <b>Total income analysed on a segmental basis</b> | <b>(27,624)</b> | <b>(28,285)</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 28). The specific accounts receivable balance, which relates to invoices issued by SPT, but remain unpaid can be found within the Financial Instruments note (note 33).

## 2. Expenditure and Income Analysed by Nature

| 2018/19<br>£000 |  | 2019/20<br>£000  |
|-----------------|--|------------------|
|                 | <b>Expenditure</b>   |                  |
| 21,815          | Employee costs   | 22,298           |
| 5,766           | Premises costs   | 5,746            |
| 2,561           | Supplies and services  | 2,117            |
| 80              | Transport and plant  | 89               |
| 18,128          | Third party payments   | 19,620           |
| 15,423          | Financing costs (including impairments)                                | 14,087           |
| 9,755           | Grant Fund to Local Authorities and Others                             | 11,883           |
| 161             | Pension interest (income) / cost and expected return on pension assets | 499              |
| <b>73,689</b>   | <b>Total Expenditure</b>   | <b>76,339</b>    |
|                 | <b>Income</b>  |                  |
| (38,652)        | Government grants  | (24,161)         |
| (19,686)        | Other grants, reimbursements & contributions                           | (86,748)         |
| (26,245)        | Customer and client receipts   | (26,595)         |
| (1,379)         | Financing and investment income  | (1,689)          |
| <b>(85,962)</b> | <b>Total Income</b>  | <b>(139,193)</b> |
| <b>(12,273)</b> | <b>Surplus on Provision of Services</b>                                | <b>(62,854)</b>  |

### 3. Movement in Reserves Statement – Adjustments Between Accounting Basis and Funding Basis Under Regulations

2019/20

|  | Usable Reserves                    |                         |   |
|--|------------------------------------|-------------------------|---|
|  | General<br>Fund<br>Balance<br>£000 | Capital<br>Fund<br>£000 | Capital<br>Grants<br>Unapplied<br>Account<br>£000 |
| <b>Adjustments to the Revenue Resources</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: |                                    |                         |   |
| Pensions costs (transferred to (or from) the Pensions Reserve)   | (4,061)                            | 0                       | 0   |
| Holiday pay (transferred to (or from) 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>(3,383)</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>(3,344)</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.

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

**2018/19 Comparative Figures**

**Usable Reserves**

|  | General<br>Fund<br>Balance<br>£000 | Capital<br>Fund<br>£000 | Capital<br>Grants<br>Unapplied<br>Account<br>£000 |
|--|------------------------------------|-------------------------|---|
| <b>Adjustments to the Revenue Resources</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: |                                    |                         |   |
| Pensions costs (transferred to (or from) the Pensions Reserve)   | (5,833)                            | 0                       | 0   |
| Holiday pay (transferred to (or from) the Accumulated Absences Account)  | (26)                               | 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)                   | 16,138                             | 0                       | (28)  |
| <b>Total Adjustments to Revenue Resources</b>  | <b>10,279</b>                      | <b>0</b>                | <b>(28)</b>                                       |
| <b>Adjustments between Revenue and Capital Resources</b>   |                                    |                         |   |
| Transfer of non-current asset sale proceeds from revenue to the Capital Fund   | 1,994                              | (1,994)                 | 0   |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>1,994</b>                       | <b>(1,994)</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                       | 21,242  |
| <b>Total Adjustments to Capital Resources</b>  | <b>0</b>                           | <b>0</b>                | <b>21,242</b>                                     |
| <b>Total Adjustments</b>   | <b>12,273</b>                      | <b>(1,994)</b>          | <b>21,214</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:

|   | <b>Balance at<br/>1 April<br/>2018<br/>£000</b> | Transfers<br>out<br>2018/19<br>£000 | Transfers<br>in<br>2018/19<br>£000 | <b>Balance at<br/>31 March<br/>2019<br/>£000</b> | Transfers<br>out<br>2019/20<br>£000 | Transfers<br>in<br>2019/20<br>£000 | <b>Balance at<br/>31 March<br/>2020<br/>£000</b> |
|---|---|-------------------------------------|------------------------------------|--|-------------------------------------|------------------------------------|--|
| <b>General Fund Balance</b>                             |   |                                     |                                    |  |                                     |                                    |  |
| Rolling Stock, Signalling and Associated Equipment Fund | 0   | 0                                   | 0                                  | 0  | 0                                   | 35,000                             | 35,000   |
| Subway Infrastructure Fund                              | 0   | 0                                   | 0                                  | 0  | 0                                   | 20,000                             | 20,000   |
| Guideline Criteria Review Fund                          | 0   | 0                                   | 0                                  | 0  | 0                                   | 10,000                             | 10,000   |
| Strategic Bus Routes Fund                               | 0   | 0                                   | 0                                  | 0  | 0                                   | 2,000                              | 2,000  |
| <b>Earmarked</b>  | <b>0</b>  | <b>0</b>                            | <b>0</b>                           | <b>0</b>   | <b>0</b>                            | <b>67,000</b>                      | <b>67,000</b>                                    |
| <b>Non-earmarked</b>                                    | <b>11,169</b>                                   | 0                                   | 0                                  | <b>11,169</b>                                    | (3,302)                             | 0                                  | <b>7,867</b>                                     |
| <b>Total</b>  | <b>11,169</b>                                   | <b>0</b>                            | <b>0</b>                           | <b>11,169</b>                                    | <b>(3,302)</b>                      | <b>67,000</b>                      | <b>74,867</b>                                    |

The Transport (Scotland) Act 2019 enables Regional Transport Partnerships to hold and contribute to reserves. This has resulted in SPT creating the above earmarked reserves during 2019/20, predominantly by releasing the balance under Receipts in Advance (see note 30).

SPT's Reserves Policy was approved by the Strategy & Programmes Committee on 7 February 2020 and can be found at: [spt.co.uk/documents/latest/SP070220\\_Agenda6.pdf](https://spt.co.uk/documents/latest/SP070220_Agenda6.pdf)

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 SPT's Subway income and is held as an organisational contingency.

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

| 2018/19<br>£000 |  | 2019/20<br>£000 |
|-----------------|--|-----------------|
| 0               | Gains/losses on disposal of non-current assets | 268             |
| <b>0</b>        | <b>Total</b>                                   | <b>268</b>      |

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

| 2018/19<br>£000 |   | 2019/20<br>£000 |
|-----------------|---|-----------------|
| 161             | Pensions interest cost and expected return on pensions assets | 499             |
| (65)            | Revaluation of Investment Properties                          | 90              |
| (637)           | Net rental income   | (632)           |
| (1,379)         | Interest receivable and similar income                        | (1,689)         |
| <b>(1,920)</b>  | <b>Total</b>  | <b>(1,732)</b>  |

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

| 2018/19<br>£000 |  | 2019/20<br>£000  |
|-----------------|--|------------------|
| (19,663)        | Funding received as requisition from constituent local authorities | (86,745)         |
| (10,820)        | Scottish Government Revenue Grant                                  | (12,945)         |
| (27,832)        | Scottish Government Capital Grant                                  | (11,217)         |
| (23)            | Other Capital Grant  | (2)              |
| <b>(58,338)</b> | <b>Total</b>   | <b>(110,909)</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<br>2019<br>£000 |                                | 31 March<br>2020<br>£000 |
|--------------------------|--------------------------------|--------------------------|
| (55,124)                 | Revaluation Reserve            | (66,914)                 |
| (187,159)                | Capital Adjustment Account     | (202,366)                |
| 19,090                   | Pensions Reserve               | 4,463                    |
| 105                      | Accumulated Absences Account   | 118                      |
| <b>(223,088)</b>         | <b>Total Unusable Reserves</b> | <b>(264,699)</b>         |

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

### Revaluation Reserve

The Revaluation Reserve contains the gains made by SPT arising from increases in the value of its property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

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

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

| 2018/19<br>£000 |   | 2019/20<br>£000 |
|-----------------|---|-----------------|
| (56,119)        | <b>Balance at 1 April</b>   | <b>(55,124)</b> |
| (288)           | Upward revaluation of assets  | (15,161)        |
| 4               | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services      | 2,087           |
| (284)           | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | (13,074)        |
| 1,279           | Difference between fair value depreciation and historical cost depreciation   | 1,284           |
| 0               | Accumulated gains on assets sold, scrapped or transferred   | 0               |
| 1,279           | Amount written off to the Capital Adjustment Account  | 1,284           |
| <b>(55,124)</b> | <b>Balance at 31 March</b>  | <b>(66,914)</b> |

### 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)

| 2018/19<br>£000         |  | 2019/20<br>£000         |
|-------------------------|--|-------------------------|
| (148,528)               | <b>Balance at 1 April</b>  | <b>(187,159)</b>        |
|                         | Reversal of items relating to capital expenditure debited or credited to the CIES:   |                         |
| 8,092                   | Charges for depreciation and impairment of non-current assets  | 7,216                   |
| 1,213                   | Revaluation losses on property, plant and equipment  | 2,605                   |
| 442                     | Amortisation of intangible assets  | 333                     |
| 9,755                   | Revenue expenditure funded from capital under statute  | 11,884                  |
| 2,063                   | 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 | 307                     |
| <u>21,565</u>           |  | <u>22,345</u>           |
| (1,279)                 | Adjusting amounts written out of the Revaluation Reserve   | (1,284)                 |
| <u>20,286</u>           | Net written out amount of the cost of non-current assets consumed in the year  | <u>21,061</u>           |
|                         | Capital financing applied in the year:   |                         |
| 0                       | Use of the Capital Fund to finance new capital expenditure   | 25                      |
| (37,610)                | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | (23,102)                |
| (21,242)                | Application of grants to capital financing from the Capital Grants Unapplied Account   | (13,281)                |
| 0                       | Capital expenditure charged against the General Fund   | 0                       |
| <u>(58,852)</u>         |  | <u>(36,358)</u>         |
| (65)                    | Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement                         | 90                      |
| <u><b>(187,159)</b></u> | <b>Balance at 31 March</b>   | <u><b>(202,366)</b></u> |

### 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.

| 2018/19<br>£000      |  | 2019/20<br>£000     |
|----------------------|--|---------------------|
| <b>3,245</b>         | <b>Balance at 1 April</b>  | <b>19,090</b>       |
| 10,012               | Re-measurements of the net defined benefit liability/(asset)   | (18,688)            |
| 9,412                | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | 7,601               |
| (3,579)              | Employer's pensions contributions and direct payments to pensioners payable in the year  | (3,540)             |
| <u><b>19,090</b></u> | <b>Balance at 31 March</b>   | <u><b>4,463</b></u> |

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

### 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.

| 2018/19<br>£000 |   | 2019/20<br>£000 |
|-----------------|---|-----------------|
| <b>79</b>       | <b>Balance at 1 April</b>   | <b>105</b>      |
| 0               | Settlement or cancellation of accrual made at the end of the preceding year   | 0               |
| 26              | Amounts accrued at the end of the current year  | 13              |
| 26              | 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 | 13              |
| <b>105</b>      | <b>Balance at 31 March</b>  | <b>118</b>      |

## 10. Cash Flow Statement – Non Cash Movements

| 2018/19<br>£000 |   | 2019/20<br>£000 |
|-----------------|---|-----------------|
| (7,930)         | Depreciation (note 9)   | (7,216)         |
| (162)           | Asset impairments (note 9)                                      | 0               |
| (1,213)         | Revaluation losses on property, plant and equipment             | (2,605)         |
| 65              | Revaluation of investment properties (note 9)                   | (90)            |
| (442)           | Amortisation of intangible assets (note 9)                      | (333)           |
| (5,833)         | Credit for retirement benefits (note 9)                         | (4,061)         |
| (69)            | Gain / (loss) on asset disposal (note 9)                        | (268)           |
| 1,028           | (Increase) / decrease in provisions for liabilities and charges | 242             |
| (9,755)         | Revenue expenditure funded from capital (note 9)                | (11,884)        |
|                 | Accruals adjustments:   |                 |
| 9               | (Decrease) / increase in inventory                              | 60              |
| 62              | (Decrease) / increase in debtors                                | (3,500)         |
| (22,733)        | Decrease / (increase) in creditors                              | 57,672          |
| <b>(46,973)</b> | <b>Net cash inflow from revenue activities</b>                  | <b>28,017</b>   |

## 11. Cash Flow Statement – Investing Activities

| 2018/19<br>£000 |  | 2019/20<br>£000 |
|-----------------|--|-----------------|
| 58,852          | Purchase of property, plant and equipment, investment property, intangible assets and grants         | 36,358          |
| 15,701          | Purchase of short-term and long-term investments   | (3,931)         |
| (1,994)         | Proceeds from the sale of property, plant and equipment, investment properties and intangible assets | (39)            |
| (1,379)         | Interest received (note 6)   | (1,689)         |
| <b>71,180</b>   | <b>Net cash flows from investing activities</b>  | <b>30,699</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<br/>2019<br/>£000</b> |   | <b>31 March<br/>2020<br/>£000</b> |
|-----------------------------------|---|-----------------------------------|
| 16                                | Cash held by SPT                                      | 16                                |
| 28,523                            | Current accounts with banks and building societies    | 16,433                            |
| 22,247                            | Short-term deposits with banks and building societies | 36,786                            |
| <b>50,786</b>                     | <b>Total cash and cash equivalents</b>                | <b>53,235</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>2018/19<br/>£000</b> |   | <b>2019/20<br/>£000</b> |
|-------------------------|---|-------------------------|
| 71                      | Fees payable with regard to external audit services carried out by the appointed auditor for the year | 72                      |
| 0                       | Fees payable for additional services  | 0                       |
| <b>71</b>               | <b>Total</b>  | <b>72</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 1<sup>st</sup> 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 1/60<sup>th</sup> 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.

## 14. Defined Benefit Pension Schemes (continued)

### 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.

### 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.

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

The following transactions have been made in the financial statements in 2019/20 and the prior year 2018/19.

|   | 2018/19<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| <b>Comprehensive Income and Expenditure Statement (CIES)</b>  |                 |                 |
| Cost of Services:   |                 |                 |
| Service cost comprising   |                 |                 |
| • current service cost  | 5,820           | 7,022           |
| • past service costs (including curtailments)   | 3,431           | 80              |
| • curtailments and unfunded benefits  | 0               | 0               |
| Financing and Investment Income and Expenditure   |                 |                 |
| • net interest expense  | 161             | 499             |
| <b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>   | <b>9,412</b>    | <b>7,601</b>    |
| <b>Other Post Employment Benefit Charged to the CIES</b>  |                 |                 |
| • expected return on scheme assets  | (7,408)         | 15,923          |
| • re-measurements   | 17,420          | (34,611)        |
| <b>Total Post Employment Benefit Charged to the CIES</b>  | <b>19,424</b>   | <b>(11,087)</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 | 5,833           | 4,061           |
| Actual amount charged against the General Fund Balance for pensions in the year:  |                 |                 |
| • employers' contributions payable to scheme  | 3,579           | 3,540           |
| <b>Pensions Assets and Liabilities Recognised in the Balance Sheet</b>  |                 |                 |
| The amount included in the Balance Sheet arising from SPT's obligation in respect of its defined benefit plan is as follows:                    |                 |                 |
|   | 2018/19<br>£000 | 2019/20<br>£000 |
| Present value of scheme liabilities   | (259,455)       | (231,681)       |
| Fair value of scheme assets   | 240,365         | 227,218         |
| <b>Deficit</b>  | <b>(19,090)</b> | <b>(4,463)</b>  |

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

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

|  | 2018/19<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| <b>Opening fair value of pension fund assets at 1 April</b>                            | <b>229,918</b>  | <b>240,365</b>  |
| Interest income  | 6,168           | 5,735           |
| Re-measurement gains and (losses)  |                 |                 |
| • The return on plan assets, excluding the amount included in the net interest expense | 7,408           | (15,923)        |
| Contributions from employers   | 3,579           | 3,540           |
| Contributions from employees into the scheme   | 961             | 1,056           |
| Benefits paid  | (7,669)         | (7,555)         |
| <b>Closing balance at 31 March</b>   | <b>240,365</b>  | <b>227,218</b>  |

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

|  | 2018/19<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|
| <b>Opening balance at 1 April</b>                                  | <b>233,163</b>  | <b>259,455</b>  |
| Current service cost   | 5,820           | 7,022           |
| Interest cost  | 6,329           | 6,234           |
| Contributions by Pension Fund participants                         | 961             | 1,056           |
| Re-measurement (gains) and losses:                                 |                 |                 |
| • (Gains) / Losses arising from changes in demographic assumptions | 0               | (8,934)         |
| • (Gains) / Losses arising from changes in financial assumptions   | 17,284          | (23,946)        |
| • (Gains) / Losses Other   | 136             | (1,731)         |
| Past service costs (including curtailments)                        | 3,431           | 80              |
| Benefits paid  | (7,669)         | (7,555)         |
| <b>Closing balance at 31 March</b>                                 | <b>259,455</b>  | <b>231,681</b>  |



## 14. Defined Benefit Pension Schemes (continued)

### Analysis of Pension Fund's Assets

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

|  | 2018/19  |  |                | 2019/20  |  |                |
|--|--|--|----------------|--|--|----------------|
|  | Quoted<br>Prices in<br>Active<br>Markets<br>£000 | Prices not<br>quoted in<br>Active<br>Markets<br>£000 | Total<br>£000  | Quoted<br>Prices in<br>Active<br>Markets<br>£000 | Prices not<br>quoted in<br>Active<br>Markets<br>£000 | Total<br>£000  |
| <b>Equity instruments<br/>(by industry type)</b> |  |  |                |  |  |                |
| • Consumer                                       | 15,393   | 44   | 15,437         | 14,551   | 41   | 14,592         |
| • Manufacturing                                  | 12,472   | 37   | 12,509         | 11,789   | 36   | 11,825         |
| • Energy & utilities                             | 3,213  | 0  | 3,213          | 3,038  | 0  | 3,038          |
| • Financial institutions                         | 10,362   | 0  | 10,362         | 9,795  | 0  | 9,795          |
| • Health & care                                  | 6,086  | 62   | 6,148          | 5,753  | 59   | 5,812          |
| • Information technology                         | 7,922  | 1  | 7,923          | 7,488  | 2  | 7,490          |
| <b>Sub-total equity</b>                          | <b>55,448</b>                                    | <b>144</b>   | <b>55,592</b>  | <b>52,414</b>                                    | <b>138</b>   | <b>52,552</b>  |
| Corporate Bonds                                  | 7,542  | 0  | 7,542          | 7,129  | 0  | 7,129          |
| UK Property                                      | 0  | 21,763   | 21,763         | 0  | 20,572   | 20,572         |
| Private equity                                   | 0  | 28,723   | 28,723         | 0  | 27,512   | 27,512         |
| <b>Other investment funds</b>                    |  |  |                |  |  |                |
| • Equities                                       | 68,267   | 5,917  | 74,184         | 64,532   | 5,594  | 70,126         |
| • Bonds  | 10,512   | 17,317   | 27,829         | 9,937  | 16,370   | 26,307         |
| • Commodities                                    | 120  | 0  | 120            | 114  | 0  | 114            |
| • Other  | 0  | 308  | 308            | 0  | 291  | 0              |
| <b>Sub-total other investment<br/>funds</b>      | <b>78,899</b>                                    | <b>23,542</b>  | <b>102,441</b> | <b>74,583</b>                                    | <b>22,255</b>  | <b>96,838</b>  |
| <b>Derivatives</b>                               |  |  |                |  |  |                |
| • Other  | 5  | 0  | 5              | 5  | 0  | 5              |
| <b>Sub-total derivatives</b>                     | <b>5</b>   | <b>0</b>   | <b>5</b>       | <b>5</b>   | <b>0</b>   | <b>5</b>       |
| Cash and cash equivalents                        | 12,374   | 11,925   | 24,299         | 11,697   | 11,273   | 22,970         |
| <b>Total assets</b>                              | <b>154,268</b>                                   | <b>86,097</b>  | <b>240,365</b> | <b>145,828</b>                                   | <b>81,390</b>  | <b>227,218</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

|  | 2018/19 | 2019/20 |
|--|---------|---------|
| <b>Long-term expected rate of return on assets in the scheme:</b>                      |         |         |
| Equity investments   | 2.9%    | 1.7%    |
| Bonds  | 2.9%    | 1.7%    |
| Property   | 2.9%    | 1.7%    |
| Cash   | 2.9%    | 1.7%    |
| <b>Mortality assumptions:</b>  |         |         |
| Longevity at 65 for current pensioners:  |         |         |
| • Men  | 21.4    | 20.7    |
| • Women  | 23.7    | 22.9    |
| <b>Longevity at 65 for future pensioners:</b>  |         |         |
| • Men  | 23.4    | 22.2    |
| • Women  | 25.8    | 24.6    |
| Rate of CPI  | 2.5%    | 1.9%    |
| Rate of increase in salaries   | 3.7%    | 3.0%    |
| Rate of increase in pensions   | 2.5%    | 1.9%    |
| Rate for discounting fund liabilities  | 2.4%    | 2.3%    |
| 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 2020     | Approximate % increase to Employer Liability | Approximate monetary amount £000 |
|--|--|----------------------------------|
| 0.5% decrease in Real Discount Rate        | 9%   | 21,135                           |
| 0.5% increase in the Salary Increase Rate  | 1%   | 3,434                            |
| 0.5% increase in the Pension Increase Rate | 8%   | 17,391                           |

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 2020 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 2020 is £3.094 million.

The weighted average duration of the defined benefit obligation for Fund members is 17.9 years (2017/18: 17.9 years).

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

The accounts were authorised for issue by the Assistant Chief Executive on 18 September 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. As detailed with the management commentary the COVID-19 pandemic is having a significant impact operationally and financially on SPT in 2020/21. No adjustments have been made to the 2019/20 results for any COVID-19 related matter.

#### 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 2019/20 Transport Scotland, an agency of the Scottish Government, provided SPT with revenue grant funding of £1.037 million (2018/19: £1.037 million) and capital grants totalling £23.100 million (2018/19: £37.587 million). Grant receipts and invoices outstanding at 31 March 2020 were £0.000 million (2018/19: £3.300 million) and are included in Other Receivables Amounts (note 28 Short-term Debtors).

## 16. Related Parties (continued)

Prepaid income and invoices outstanding at 31 March 2020 were £0.000 million (2018/19: 0.052 million) and are included in Other Payables Amounts (note 29 Short-term Creditors). Grants received but not utilised at 31 March 2020 were £57.732 million (2018/19: £70.988 million) and are included in Capital Grants Unapplied Account.

### **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 2019/20 is shown in the Remuneration Report.

During 2019/20 the 12 Local Authorities in Strathclyde provided funding totalling £35.463 million (2018/19: £35.901 million) in the form of requisition.

During 2019/20 SPT received revenue income and grants from local authorities totalling £0.993 million (2018/19: £0.877 million).

During 2019/20 SPT provided capital grants totalling £10.706 million (2018/19: £8.773 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 £1.003 million (2018/19: £0.764 million).

There is a balance of £0.625 million (2018/19: £0.848 million) in relation to outstanding invoices and accrued income within Short-term Debtors (note 28). There is also a balance of £11.156 million (2018/19: £7.165 million) within Short-term Creditors (note 29) which primarily relates to outstanding invoices. At 31 March 2020 there is no balance sitting within Receipts in Advance (note 30) (2018/19: £51.356 million).

### **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 2019/20 SPT charged £0.266 million (2018/19: £0.291 million) to SCTS for the provision of these services, and £0.325 million (2018/19: £0.334 million) received in income for Concessionary Travel reimbursements. Charges and income outstanding at 31 March 2020 was £0.266 million (2018/19: £0.299 million), and are included in Other Receivables Amounts (note 28 Short-term Debtors). A balance of £0.002 million (2018/19: £0.000 million) for prepaid income is included within Other Payables Amounts (note 29 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 2019/20 SPT approved payments totalling £0.153 million (2018/19: £0.239 million) to Nevis Technologies Limited in support of the development of a smartcard ticketing and payment service. During 2019/20 SPT charged £0.050 million to Nevis Technologies (2018/19: £0.097 million). Payments outstanding at 31 March 2020 were £0.009 million (2018/19: £0.026 million) and are included in Other Payables Amounts (note 29 Short-term Creditors). A balance of £0.048 million (2018/19: £0.098 million) is included in Bodies Other Receivables Amounts (note 28 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<br/>2018/19<br/>£000</b> |   | <b>Administration<br/>Recharge<br/>£000</b> | <b>Direct<br/>Service<br/>Payments<br/>£000</b> | <b>Total Costs<br/>2019/20<br/>£000</b> |
|---|---|---|---|---|
| 30,037                                  | School and Vocational Transport         | 1,000                                       | 29,597  | 30,597                                  |
| 944                                     | Bus Shelter Maintenance                 | 189   | 768   | 957                                     |
| 291                                     | Strathclyde Concessionary Travel Scheme | 272   | 0   | 272                                     |
| <b>31,272</b>                           | <b>Total</b>                            | <b>1,461</b>                                | <b>30,365</b>                                   | <b>31,826</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 (2018/19: 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>2018/19<br/>£000</b> |   | <b>2019/20<br/>£000</b> |
|-------------------------|---|-------------------------|
| 46                      | Not later than one year                           | 44                      |
| 81                      | Later than one year and not later than five years | 112                     |
| 144                     | Later than five years                             | 131                     |
| <b>271</b>              | <b>Total</b>                                      | <b>287</b>              |

## 19. Investment Properties

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

| <b>2018/19<br/>£000</b> |  | <b>2019/20<br/>£000</b> |
|-------------------------|--|-------------------------|
| (637)                   | Rental income from investment properties | (632)                   |
| <b>(637)</b>            | <b>Total</b>                             | <b>(632)</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.

## 19. Investment Properties (continued)

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

| 2018/19<br>£000 |   | 2019/20<br>£000 |
|-----------------|---|-----------------|
| <b>5,946</b>    | <b>Balance at start of year</b>                   | <b>5,916</b>    |
| (95)            | Additions / (disposals)                           | (255)           |
| 65              | Net gains/(losses) from fair value adjustments    | (90)            |
| 0               | Transfers from/(to) Property, Plant and Equipment | 110             |
| <b>5,916</b>    | <b>Balance at end of year</b>                     | <b>5,681</b>    |

## 20. Intangible Assets

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

| 2018/19<br>£000 |   | 2019/20<br>£000 |
|-----------------|---|-----------------|
|                 | <b>Balance at start of year</b>             |                 |
| 2,325           | • Gross carrying amounts                    | 2,498           |
| (1,402)         | • Accumulated amortisation                  | (1,774)         |
| <b>923</b>      | <b>Net carrying amount at start of year</b> | <b>724</b>      |
| 244             | Additions: purchases                        | 35              |
| (71)            | Disposals cost                              | (132)           |
| (442)           | Amortisation for the period                 | (333)           |
| 70              | Disposals amortisation                      | 132             |
| <b>724</b>      | <b>Net carrying amount at end of year</b>   | <b>426</b>      |
|                 | <b>Comprising:</b>                          |                 |
| 2,498           | • Gross carrying amounts                    | 2,401           |
| (1,774)         | • Accumulated amortisation                  | (1,975)         |
| <b>724</b>      |   | <b>426</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 2019/20 SPT has not recognised any management assessed impairment loss (2018/19: £0.162 million) in relation to its Subway assets and Bus Operations fleet.

**22. Property, Plant and Equipment**  
**Movements in 2019/20**

|  | Land & Buildings | Plant & Machinery | Rolling Stock & Vehicles | Infrastructure Assets | Sundry Assets | Assets Under Construction | Investment Properties | Investment Properties Held for Sale | Total          |
|--|------------------|-------------------|--------------------------|-----------------------|---------------|---------------------------|-----------------------|-------------------------------------|----------------|
|  | £000             | £000              | £000                     | £000                  | £000          | £000                      | £000                  | £000                                | £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)**  
**Comparative Movements in 2018/19**

|  | Land & Buildings | Plant & Machinery | Rolling Stock & Vehicles | Infra-structure Assets | Sundry Assets | Assets Under Construction | Investment Properties | Investment Properties Held for Sale | Total          |
|--|------------------|-------------------|--------------------------|------------------------|---------------|---------------------------|-----------------------|-------------------------------------|----------------|
|  | £000             | £000              | £000                     | £000                   | £000          | £000                      | £000                  | £000                                | £000           |
| <b>Cost or Valuation</b>   |                  |                   |                          |                        |               |                           |                       |                                     |                |
| At 1 April 2018  | 113,491          | 8,824             | 39,076                   | 84,006                 | 7,188         | 41,862                    | 5,946                 | 1,956                               | 302,349        |
| Additions  | 233              | 51                | 0                        | 584                    | 322           | 47,663                    | 0                     | 0                                   | 48,853         |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | 196              | 0                 | 0                        | 0                      | 0             | 0                         | 0                     | 0                                   | 196            |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (1,619)          | 0                 | 0                        | 0                      | 0             | 0                         | 65                    | 0                                   | (1,554)        |
| Derecognition – disposals  | 0                | (105)             | (2,569)                  | 0                      | (212)         | 0                         | (95)                  | (1,956)                             | (4,937)        |
| Transfers  | 4,509            | 273               | 860                      | 0                      | 0             | (5,642)                   | 0                     | 0                                   | 0              |
| <b>At 31 March 2019</b>  | <b>116,810</b>   | <b>9,043</b>      | <b>37,367</b>            | <b>84,590</b>          | <b>7,298</b>  | <b>83,883</b>             | <b>5,916</b>          | <b>0</b>                            | <b>344,907</b> |
| <b>Accumulated Depreciation and Impairment</b>   |                  |                   |                          |                        |               |                           |                       |                                     |                |
| At 1 April 2018  | 4,560            | 3,842             | 35,038                   | 42,721                 | 4,983         | 0                         | 0                     | 0                                   | 91,144         |
| Depreciation charge  | 3,481            | 355               | 1,624                    | 1,706                  | 764           | 0                         | 0                     | 0                                   | 7,930          |
| Depreciation written out to the Revaluation Reserve  | (88)             | 0                 | 0                        | 0                      | 0             | 0                         | 0                     | 0                                   | (88)           |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                     | (406)            | 0                 | 0                        | 0                      | 0             | 0                         | 0                     | 0                                   | (406)          |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services     | 0                | 0                 | 86                       | 76                     | 0             | 0                         | 0                     | 0                                   | 162            |
| Derecognition – disposals  | 0                | (105)             | (2,569)                  | 0                      | (201)         | 0                         | 0                     | 0                                   | (2,875)        |
| <b>At 31 March 2019</b>  | <b>7,547</b>     | <b>4,092</b>      | <b>34,179</b>            | <b>44,503</b>          | <b>5,546</b>  | <b>0</b>                  | <b>0</b>              | <b>0</b>                            | <b>95,867</b>  |
| <b>Net Book Value</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> |
| <b>At 31 March 2018</b>  | <b>108,931</b>   | <b>4,982</b>      | <b>4,038</b>             | <b>41,285</b>          | <b>2,205</b>  | <b>41,862</b>             | <b>5,946</b>          | <b>1,956</b>                        | <b>211,205</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:

| <b>Service</b>        | <b>Outstanding<br/>Commitments<br/>as at 31<br/>March 2020<br/>£</b> | <b>Contract<br/>Completion<br/>Dates</b> |
|-----------------------|--|--|
| Subway Modernisation  | 93,875,677   | Various                                  |
| Projects              | 2,521,876  | Various                                  |
| Subway Infrastructure | 2,476,865  | Various                                  |
| Subway Operations     | 991,174  | Various                                  |
| Bus Operations        | 331,834  | Various                                  |
| Other                 | 83,764   | Various                                  |
| <b>Total</b>          | <b>100,281,190</b>   |  |

### Valuations

To comply with the Code, land and buildings were valued at 31 March 2020 by external valuers, the Valuation Office Agency.

The valuations of land and buildings have been 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 (EUW) 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 valuations have been reported on the basis of 'material valuation uncertainty' due to the current COVID-19 pandemic. Further information can be found under Accounting Policies "22. Critical judgements made in applying accounting policies" on page 23.

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.

| 2018/19<br>£000 |   | 2019/20<br>£000 |
|-----------------|---|-----------------|
|                 | <b>0 Opening Capital Financing Requirement</b>        | <b>0</b>        |
|                 | <b>Capital investment:</b>                            |                 |
| 48,853          | Property, Plant and Equipment                         | 24,439          |
| 244             | Intangible Assets                                     | 35              |
| 9,755           | Revenue expenditure funded from capital under statute | 11,884          |
|                 | <b>Sources of finance:</b>                            |                 |
| 0               | Capital receipts                                      | 25              |
| (58,852)        | Government grants and other contributions             | (36,383)        |
| 0               | Revenue contributions                                 | 0               |
| <b>0</b>        | <b>Closing Capital Financing Requirement</b>          | <b>0</b>        |

### 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. Investment Properties Held for Sale

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

| 2018/19<br>£000 |   | 2019/20<br>£000 |
|-----------------|---|-----------------|
| 1,956           | <b>Balance at start of year</b>                                 | <b>0</b>        |
| 0               | Assets newly classified as held for sale: Investment Properties | 0               |
| (1,956)         | Assets sold   | 0               |
| <b>0</b>        | <b>Balance at end of year</b>                                   | <b>0</b>        |

### 26. Short-term Investments

| 31 March<br>2019<br>£000 |  | 31 March<br>2020<br>£000 |
|--------------------------|--|--------------------------|
| 119,217                  | Deposits with banks and building societies | 115,286                  |
| <b>119,217</b>           | <b>Total</b>                               | <b>115,286</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.

## 27. Inventories

| 2018/19<br>£000 |                                      | 2019/20<br>£000 |
|-----------------|--------------------------------------|-----------------|
| 593             | Balance at start of year             | 602             |
| 724             | Purchases                            | 1,285           |
| (715)           | Recognised as an expense in the year | (1,225)         |
| <b>602</b>      | <b>Balance at end of year</b>        | <b>662</b>      |

## 28. Short-term Debtors

| 31 March<br>2019<br>£000 |                                | 31 March<br>2020<br>£000 |
|--------------------------|--------------------------------|--------------------------|
| 746                      | Trade Receivables              | 1,393                    |
| 5,481                    | Prepayments and Accrued Income | 2,123                    |
| 1,312                    | Other receivables amounts      | 523                      |
| <b>7,539</b>             | <b>Total</b>                   | <b>4,039</b>             |

## 29. Short-term Creditors

| 31 March<br>2019<br>£000 |                             | 31 March<br>2020<br>£000 |
|--------------------------|-----------------------------|--------------------------|
| 8,561                    | Trade Payables              | 2,528                    |
| 13,612                   | Accruals and Prepaid Income | 13,681                   |
| 3,690                    | Other payables amounts      | 3,265                    |
| <b>25,863</b>            | <b>Total</b>                | <b>19,474</b>            |

## 30. Receipts in Advance

| 31 March<br>2019<br>£000 |   | 31 March<br>2020<br>£000 |
|--------------------------|---|--------------------------|
| 51,283                   | Receipts in advance – other local authorities | 0                        |
| <b>51,283</b>            | <b>Total</b>                                  | <b>0</b>                 |

The Receipts in Advance balance has been released to the Income & Expenditure Statement and has been utilised to create Earmarked Reserves within the General Fund (See note 4, Movement in General Fund Balance).

### 31. Provisions

|                                       | Injury and<br>Damage<br>Compensation<br>Claims<br>£000 | Employee<br>£000 | Total<br>£000 |
|---------------------------------------|--|------------------|---------------|
| <b>Balance at 1 April 2019</b>        | 113  | 336              | 449           |
| Additional provisions made in 2019/20 | 135  | 0                | 135           |
| Amounts used in 2019/20               | (17)   | (336)            | (353)         |
| Unused amounts reversed in 2019/20    | (24)   | 0                | (24)          |
| <b>Balance at 31 March 2020</b>       | <b>207</b>   | <b>0</b>         | <b>207</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.

The Employee provision takes account of the estimated costs of legislative changes and estimates for severance payments due to reorganisations.

### 32. Contingent Liabilities

At 31 March 2020 SPT did not have any contingent liabilities (2018/19: nil).

### 33. 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<br>Investments in Joint<br>Ventures and<br>Associates |                          | Cash and<br>Investments  |                          | Current<br>Debtors       |                          | Total          |
|----------------|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------|
|                | 31 March<br>2019<br>£000  | 31 March<br>2020<br>£000 | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 |                |
| Amortised Cost | 5   | 5                        | 170,003                  | 168,521                  | 7,539                    | 4,039                    | 172,565        |
| <b>Total</b>   | <b>5</b>  | <b>5</b>                 | <b>170,003</b>           | <b>168,521</b>           | <b>7,539</b>             | <b>4,039</b>             | <b>172,565</b> |

#### Financial Liabilities

|                | Non-Current<br>Creditors |                          | Current<br>Creditors     |                          | Total         |
|----------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------|
|                | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 |               |
| Amortised Cost | 51,283                   | 0                        | 25,863                   | 19,474                   | 19,474        |
| <b>Total</b>   | <b>51,283</b>            | <b>0</b>                 | <b>25,863</b>            | <b>19,474</b>            | <b>19,474</b> |

#### Financial Instruments Gains / Losses / Expenses charged during 2019/20 (at amortised cost)

The gain incurred by SPT in 2019/20 was an interest gain of £1.689 million (2018/19: £1.379 million). There was no expense as SPT is debt free at present.

### 34. 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/SPT080319\\_Agenda7.pdf](http://spt.co.uk/documents/latest/SPT080319_Agenda7.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.

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<br>31 March<br>2019<br>£000 |   | Amount as at<br>31 March<br>2020<br>£000 | Historical<br>Experience of<br>Non-payment<br>Adjusted for<br>Market<br>Conditions<br>% | Estimated<br>Maximum<br>Exposure to<br>Default and<br>Un-<br>collectability<br>£000 |
|--|---|--|---|---|
| 170,544                                  | Deposits with banks and other<br>financial institutions | 169,212                                  | 0   | 0   |
| 746                                      | Customers   | 1,393                                    | 0.01  | 0   |
| <b>171,290</b>                           | <b>Total</b>  | <b>170,605</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.

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

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.

According to these investment strategies, as at 31 March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| <b>31 March<br/>2019<br/>£000</b> |  | <b>31 March<br/>2020<br/>£000</b> |
|-----------------------------------|--|-----------------------------------|
|                                   | <b>Estimated Financial Effect</b>                            |                                   |
| (1,642)                           | Increase in interest receivable on variable rate investments | (1,661)                           |
| <b>(1,642)</b>                    | <b>Net theoretical impact on I&amp;E Account</b>             | <b>(1,661)</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.

### 35. 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 14 Related Parties on page 43.

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 Scott-Moncrieff to ensure that they are consistent with the financial statements.

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

| Total<br>Remuneration<br>2018/19<br>£ |   | Salary, Fees<br>& Allowances<br>£ | Total<br>Remuneration<br>2019/20<br>£ |
|---------------------------------------|---|-----------------------------------|---------------------------------------|
| 143,315                               | Gordon MacIennan: Chief Executive                                   | 150,613                           | 150,613                               |
| 121,819                               | Valerie Davidson: Assistant Chief Executive (Business Support)      | 128,499                           | 128,499                               |
| 79,149                                | Eric Stewart: Assistant Chief Executive (Operations) to 14/04/2018* | 936                               | 936                                   |
| <b>344,283</b>                        | <b>Total</b>  | <b>280,048</b>                    | <b>280,048</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<br>Remuneration<br>2018/19<br>£ |                          | Salary, Fees<br>& Allowances<br>£ | Total<br>Remuneration<br>2019/20<br>£ |
|---------------------------------------|--------------------------|-----------------------------------|---------------------------------------|
| 21,102                                | Dr Martin Bartos, Chair  | 21,602                            | 21,602                                |
| 11,606                                | Alan Moir, Vice Chair    | 11,852                            | 11,852                                |
| 9,496                                 | David Wilson, Vice Chair | 9,676                             | 9,676                                 |
| <b>42,204</b>                         | <b>Total</b>             | <b>43,130</b>                     | <b>43,130</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.

| 2018/19<br>£000 |              | 2019/20<br>£000 |
|-----------------|--------------|-----------------|
| 0               | Salaries     | 0               |
| 42              | Allowances   | 43              |
| 1               | Expenses     | 1               |
| <b>43</b>       | <b>Total</b> | <b>44</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 2020 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<br>March 2019<br>£ | Year to 31<br>March 2020<br>£ |          | Year to 31<br>March 2019<br>£ | Year to 31<br>March 2020<br>£ |
| Gordon<br>Maclennan:<br>Chief Executive<br>(1)                                 | 27,660                        | 29,068                        | Pension  | 30,951                        | 34,882                        |
|  |                               |                               | Lump Sum | 13,391                        | 13,793                        |
| Valerie Davidson:<br>Assistant Chief<br>Executive<br>(Business<br>Support) (2) | 23,511                        | 24,800                        | Pension  | 55,804                        | 60,261                        |
|  |                               |                               | Lump Sum | 99,872                        | 102,868                       |
| Eric Stewart:<br>Assistant Chief<br>Executive<br>(Operations) (3)              | 1,809                         | 12                            | 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) The pension figures shown relate to the benefits that the person has accrued from their current appointment only, but includes a transfer in from another scheme. There are no entries for the 2018/19 accrued pension benefits as the employee retired in year. The pension contributions for 2019/20 relate to a backdated 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 2019-20 have stayed the same as they were for 2018-19. Tiers are as follows: Whole time pay | <b>Contribution rate<br/>2019/20</b> | <b>Contribution rate<br/>2018/19</b> |
|--|--------------------------------------|--------------------------------------|
| 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 above £48,801  | 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 above £48,801  |                                      | 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):**

| <b>Remuneration band</b> | <b>2018/19<br/>Number of<br/>employees</b> | <b>2019/20<br/>Number of<br/>employees</b> |
|--------------------------|--|--|
| £50,000 - £54,999        | 11(3)                                      | 21(1)                                      |
| £55,000 - £59,999        | 6(1)                                       | 5  |
| £60,000 - £64,999        | 13(3)                                      | 5  |
| £65,000 - £69,999        | 2  | 9  |
| £70,000 - £74,999        | 5  | 4(1)                                       |
| £75,000 - £79,999        | 2(1)                                       | 8  |
| £80,000 - £84,999        | 0  | 1  |
| £85,000 - £89,999        | 0  | 1  |
| £90,000 - £94,999        | 1  | 0  |
| £95,000 - £99,999        | 1(1)                                       | 0  |
| £100,000 - £104,999      | 1  | 3(2)                                       |
| £105,000 - £109,999      | 0  | 0  |
| £110,000 - £114,999      | 0  | 0  |
| £115,000 - £119,999      | 0  | 0  |
| £120,000 - £124,999      | 1  | 0  |
| £125,000 - £129,999      | 0  | 1  |
| £130,000 - £134,999      | 0  | 0  |
| £135,000 - £139,999      | 0  | 0  |
| £140,000 - £144,999      | 1  | 0  |
| £145,000 - £149,999      | 0  | 0  |
| £150,000 - £154,999      | 0  | 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 | 2018/19<br>Number of<br>compulsory<br>redundancies | 2018/19<br>Number of<br>other<br>departures | 2019/20<br>Number of<br>compulsory<br>redundancies | 2019/20<br>Number of<br>other<br>departures |
|------------------------|--|---|--|---|
| £0 - £20,000           | 2  | 2   | 0  | 0   |
| £20,001 - £40,000      | 3  | 1   | 0  | 3   |
| £40,001 - £60,000      | 3  | 2   | 0  | 0   |
| £60,001 - £80,000      | 1  | 0   | 0  | 1   |
| £80,001 - £100,000     | 0  | 0   | 0  | 0   |
| £100,001 - £150,000    | 1  | 0   | 2  | 1   |
| £150,001 - £200,000    | 0  | 0   | 0  | 0   |
| <b>Total</b>           | <b>10</b>  | <b>5</b>                                    | <b>2</b>   | <b>5</b>                                    |

| Exit package cost band | 2018/19<br>Total number<br>of exit<br>packages by<br>cost band | 2018/19<br>Total cost of<br>exit packages<br>£000 | 2019/20<br>Total number<br>of exit<br>packages by<br>cost band | 2019/20<br>Total cost of<br>exit packages<br>£000 |
|------------------------|--|---|--|---|
| £0 - £20,000           | 4  | 32  | 0  | 0   |
| £20,001 - £40,000      | 4  | 134   | 3  | 82  |
| £40,001 - £60,000      | 5  | 246   | 0  | 0   |
| £60,001 - £80,000      | 1  | 60  | 1  | 61  |
| £80,001 - £100,000     | 0  | 0   | 0  | 0   |
| £100,001 - £150,000    | 1  | 132   | 3  | 394   |
| £150,001 - £200,000    | 0  | 0   | 0  | 0   |
| <b>Total</b>           | <b>15</b>  | <b>604</b>  | <b>7</b>   | <b>537</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 2019/20.

**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 |
|--|--------------------------------------|
| 17   | 17                                   |

**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%                 | 9                   |
| 1% - 50%           | 8                   |
| 21% - 99%          | 0                   |
| 100%               | 0                   |

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

| Description   | Figures     |
|---|-------------|
| Total cost of facility time                             | £2,218      |
| Total pay bill  | £21,290,514 |
| 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

18 September 2020

**Gordon MacLennan**

Chief Executive

18 September 2020