

Strathclyde Partnership for Transport
Annual Accounts
for the year ended 31 March 2019

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Members of Strathclyde Partnership for Transport

Members of the Partnership as at 31 March 2019

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 Michael Cullen
Councillor Anna Richardson
Councillor David Wilson (Vice Chair)
Councillor Donald Reid
Councillor Colin Cameron
Councillor Tracy Carragher
Councillor Michael McPake
Councillor Marie McGurk
Councillor Ian Cochrane
Councillor Maureen Devlin
Councillor Richard Nelson
Councillor David Shearer
Councillor Jim Finn
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
North Lanarkshire Council
Renfrewshire Council
South Ayrshire Council
South Lanarkshire 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 2018/19.

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 2018/19 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/. 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 1.2 million bus departures from our stations every year.

SPT also own and operate the Subway in Glasgow – the world's third oldest underground system and a vital part of the west of Scotland's transport network. The Subway carried over 13 million passengers in 2018/19.

We continue with modernisation of the Subway which will transform the network and enhance our customers' travel experience. 2018/19 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 work progress on station refurbishments at St George's Cross and Cowcaddens.

SPT's Subway continues to operate its Smartcard ticketing system, with to date more than 200,000 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 2018/19 there was a major focus on Subway Modernisation and particularly 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 focusing on the delivery of a new real time passenger information system, 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 2018/19, 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 purchase of low emission vehicles. In addition, SPT continues to focus on reducing its own carbon footprint through a number 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. 2018/19 saw the continuation and development 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:

www.spt.co.uk/corporate/about/minutes-agendas

In addition, the full year performance is reported in the Annual Report 2019 and can be found at:

www.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 2018/19 Treasury Management Strategy can be found at:

www.spt.co.uk/documents/latest/rtp230218_agenda5.pdf

Management of Risk

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

www.spt.co.uk/corporate/about/minutes-agendas/audit-standards-committee

Look Ahead

Subway modernisation

The roll-out of the £288.7 million Subway modernisation programme continues with construction work progressing on building a new Operational Control Centre and the redevelopment of the Operational Depot in advance of the continued work on design and build of rolling stock, signalling and associated systems. Station refurbishment work at St George's Cross and Cowcaddens stations are due to conclude in summer 2019 with the final two station refurbishments, at Kinning Park and West Street, due to commence also in summer 2019.

Work continues on the manufacture and testing of the prototype new rolling stock units. Delivery of the first three rolling stock units to the manufacturer's site in Glasgow is expected early in 2019/20, followed by an extensive period of onsite testing.

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.

During 2018/19, SPT progressed with the Issues and Objectives stage of strategy development which included initial engagement with our partners, stakeholders and members of the public, analysis of data and review of policies and plans. SPT will consult on the findings of this stage in 2019/20.

In addition, a Scottish Transport Bill, which continues to progress through the parliamentary process, seeks to address many issues in the transport landscape, including bus related matters. SPT will continue to engage with the Scottish Government on what these solutions could be and how best they are implemented.

Smart and integrated ticketing

The Subway Smartcard continues to be a popular choice for customers with more than 200,000 cards in use and more than £4.8 million of Subway Pay As You Go credit purchased on smartcards in 2018/19. Subway customers can also use a range of other smartcards for travel including ScotRail, McGill's, Stagecoach and Tripper cards.

Following the successful launch of online Subway ticket sales in 2016-17, the number of online sales has continued to grow steadily. In 2018-19, 23% of all season ticket weeks were sold online, up from 7% the previous year.

SPT continues to work to develop innovative ticketing solutions through the Nevis Technologies joint venture with East Kilbride based tech firm Rambus. We are continuing to test and develop the Subway SmartApp, an Android app which emulates a plastic smartcard.

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.

There remains an outstanding legislative matter relating to the preparation of the annual accounts. A technical bulletin, issued by Audit Scotland, in June 2007 suggests that the Transport (Scotland) Act 2005 does not permit RTP's, including SPT, to generate a surplus or deficit on the general fund and hence to add to reserves. Reserves and fund balances are a critical tool in the financial plans of any organisation to ensure it is in a position to respond to unexpected events and circumstances. SPT is therefore relying on the former powers transferred under the Act to hold and utilise reserves. However, according to the technical bulletin and the opinion of Audit Scotland, SPT cannot contribute to reserves. SPT, having taken legal advice does not agree with the view suggested by Audit Scotland, given that the powers of SPTA and SPTE were transferred to SPT, but again in 2018/19 has prepared the annual accounts in accordance with the position expressed by Audit Scotland. The view that SPT cannot add to reserves impacts on strategic financial planning and limits SPT's ability to plan and prepare for replacement and repair funds, which is considered to be best practice. SPT continues to press the Scottish Government for the legislative change which is deemed necessary to resolve the issue as a matter of urgency and can report that this issue has been the subject of a recent Scottish Government consultation. It is hoped that the matter will be addressed through the planned Transport Bill.

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 2018/19 ensured that SPT services were delivered within budget and available funding. SPT continues to make plans for responding to any further reductions in public sector funding.

SPT's net revenue budget was set at £36.938 million, of which £35.901 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 2017/18 a contribution to the Subway Fund was planned for 2018/19, in accordance with the Subway Modernisation Business Case submitted to the Scottish Government, and has been generated. However, until the matter relating to the holding of reserves is resolved this contribution is deemed to be "Receipts in Advance". A contribution of £16.238 million (2017/18: £16.054 million) was made during the year and no 'Receipts in Advance' were utilised in 2018/19 (2017/18: nil). This resulted in a balance of £51.283 million (2018: £35.045 million). The current balance of £51.283 million is shown under Receipts in Advance (note 27). This approach will be necessary and will continue until the issue of SPT's power to hold reserves is resolved. The balance is in line with the agreed funding case approved by the Scottish Government. The Scottish Government have provided confirmed annual funding profiles plans for Subway Modernisation, allowing SPT to undertake more robust cash flow analysis to maximise the efficient use of its resources.

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 2019. SPT continues to have significant balances under Short-term Investments and Cash and Cash Equivalents. The current balance for Short-term Investments is £119.217 million (2017/18: £103.516 million) and for Cash and Cash Equivalents the balance is £50,786 million (2017/18: £64.099 million). The balances are so significant predominantly due to funds being set aside within Receipts in Advance and the Capital Grants Unapplied Account to fund the Subway Modernisation.

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 26 of the annual accounts shows the movement in revenue and capital reserves held by SPT as at 31 March 2019. The major movements in reserves in the year are: a £1.994

million increase in the Capital Receipts Reserve; a £21.214 million reduction in the Capital Grants Unapplied Account; a £38.631 million increase in the Capital Adjustment Account; a £0.995 million decrease in the Revaluation Reserve; and a £12.581 million decrease in the Pension Reserve.

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 £58.852 million (2017/18: £39.960 million). The programme was funded by: £19 million Scottish Government general capital grant; £39.839 million Scottish Government specific capital grant in support of Subway Modernisation; and £0.013 million other grants and contributions.

Capital expenditure relating to Subway Modernisation is slower than originally anticipated principally as a result of movements from one financial year end to the next financial year. 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 2018/19 some properties were revalued in accordance with the Code, resulting in an increase of £0.284 million to the Revaluation Reserve (see note 7, Balance Sheet - Unusable Reserves) and revaluation losses of £1.213 million charged to the Comprehensive Income and Expenditure Statement (CIES).

As a result of the Subway Modernisation programme, an annual review has been instigated of all Subway assets to determine if any would be rendered obsolete ahead of their scheduled useful life by the planned investment in new assets. This review also incorporates non-subway assets. Consequently, in 2018/19, impairment losses of £0.162 million have been identified and charged to the CIES in respect of Subway electrical infrastructure 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 2019, which shows a deficit of £15.826 million (£3.245 million deficit, 2017/18). The increase in deficit predominantly relates to a change in the financial assumptions used in the actuarial valuation.

Membership of the Partnership

Details of the Members of the Partnership at 31 March 2019 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

XX XXXXX 2019

Gordon MacLennan

Chief Executive

XX XXXXX 2019

Valerie Davidson

Assistant Chief Executive

XX XXXXX 2019

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 2018/19 ("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 proper accounting records that were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Annual Accounts have been approved for signature by the Partnership at its meeting on XX XXXXX 2019.

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 2019.

Martin Bartos

Chair

XX XXXXX 2019

Valerie Davidson

Assistant Chief Executive

XX XXXXX 2019

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.

A progress report on SPT's Equality outcomes was presented to and noted by the Partnership at its meeting of 8 March 2019.

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.

A Community Planning update report outlining Community Planning Partnerships of Local Outcome Improvement Plans (LOIPs) and forthcoming Locality Plans within the Partnership area was presented to and noted by the Strategy & Programmes committee at its meeting of 18 May 2018.

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 2018/19 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 Regional Transport Strategy delivery plan 2018/19-2020/21 was approved by the Partnership at its meeting of 22 June 2018.

Engagement forums and related work has been progressed during the year to prepare for the new Regional Transport Strategy from 2021.

EU Withdrawal Act (Brexit) implications for SPT services was presented to and noted by the Partnership at its meeting of 14 December 2018, and continues to be monitored.

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.

The Annual Safety Performance report for 2017/18 was presented to and noted by the Personnel committee at its meeting of 14 September 2018.

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.

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 *'Safe, secure and prosperous: A Cyber Resilience Strategy for Scotland: Public Sector Action Plan 2017/18'*, and further Scottish Government guidance, 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 achieved cyber essentials plus (CE+) accreditation in October 2018.

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 have clear terms of reference.

The Counter Fraud Strategy and Risk Management Strategy were updated and approved by the Audit & Standards committee at its meeting of 30 November 2018.

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 2018/19 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 2018/19 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.

Martin Bartos

Chair

XX XXXXX 2019

Gordon MacLennan

Chief Executive

XX XXXXX 2019

Accounting Policies

General Principles

The annual accounts for the year ended 31 March 2019 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 2018/19 (the Code) and the Service Reporting Code of Practice 2018/19 (SeRCOP). The Code is based on International Financial Reporting Standards (IFRS) with interpretation appropriate to the public sector. The statements are designed to give a 'true and fair view' of the financial performance and position of SPT for 2018/19.

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 2019 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 2019 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.

Finance Leases

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

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the CIES as an expense of the services benefitting from use of the leased property, plant and equipment. Charges are made on a straight-line basis over the term of the lease.

Where SPT grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the Other Operating Expenditure line in the

2. Leases and Lease Type Arrangements (continued)

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 12 on pages 37 to 43.

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

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

14. Capital Grant

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

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

15. Intangible Assets

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

SPT accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets relate to purchased software licences and externally generated software.

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

15. Intangible Assets (continued)

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 (EUUV).

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Land and buildings were revalued by SPT's valuer as at 31 March 2017 and will be revalued in accordance with the valuer's 5-year programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

Impairment

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

16. Property, Plant and Equipment (continued)

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 Receipts Reserve, and can then only be used for new capital investment or set aside to reduce SPT's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Depreciation

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

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	31/03/2017	Land - Not Applicable Buildings 2-100 years
Plant & Machinery	Not applicable	Cost	N/A	2-30 years
Rolling Stock & Vehicles	Not applicable	Cost	N/A	2-25 years
Infrastructure Assets	Not applicable	Cost	N/A	10-40 years
Sundry Assets	Not applicable	Cost	N/A	2-40 years
Non – Operational Assets				
Assets Under Construction	Not applicable	Cost	N/A	N/A
Investment Properties	External Valuer	Market Value	31/03/2019	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. Carbon Reduction Commitment Scheme

SPT is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the third year of its second phase, which ends on 31 March 2019. SPT is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

22. Accounting Standards Issued Not Adopted

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

Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

2017/18			2018/19			
Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000		Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000
25,598	(19,715)	5,883	Subway operations	27,235	(21,222)	6,013
22,596	(3,847)	18,749	Bus operations	21,438	(3,014)	18,424
1,887	0	1,887	Operations - Other	2,075	0	2,075
3,145	0	3,145	Business Support	3,345	0	3,345
13,426	(1,270)	12,156	Corporate	15,001	(1,373)	13,628
66,652	(24,832)	41,820	Cost Of Services	69,094	(25,609)	43,485
		(2,450)	Financing and Investment Income and Expenditure (note 4)			(1,963)
		(130,667)	Taxation and Non-Specific Grant Income (note 5)			(58,338)
		(91,297)	Surplus on Provision of Services			(16,816)
		(1,288)	Upward valuation of non-current assets (note 7)			(288)
		(50,152)	Actuarial (gains) / losses on pension assets / liabilities (note 7)			10,012
		1,749	Other Comprehensive Income and Expenditure			1,283
		(140,988)	Total Comprehensive Income and Expenditure			(5,809)

Balance Sheet as at 31 March 2019

31 March 2018 £000		Note	31 March 2019 £000
203,303	Property, Plant & Equipment	20	243,124
5,946	Investment Properties	17	5,916
1,956	Assets Held for Sale	23	0
923	Intangible Assets	18	724
5	Investments in Joint Ventures and Associates	32	5
212,133	Long-term Assets		249,769
103,516	Short-term Investments		119,217
593	Inventories	24	602
7,477	Short-term Debtors	25	7,539
64,099	Cash and Cash Equivalents	10	50,786
175,685	Current Assets		178,144
(19,368)	Short-term Creditors	26	(25,863)
(1,477)	Provisions	28	(449)
(20,845)	Current Liabilities		(26,312)
0	Provisions	28	0
(35,045)	Receipts in Advance	27	(51,283)
(3,245)	Other Long-term Liabilities (Pensions)	12	(15,826)
(38,290)	Long-term Liabilities		(67,109)
328,683	Net Assets		334,492
(127,360)	Usable Reserves	6	(108,140)
(201,323)	Unusable Reserves	7	(226,352)
(328,683)	Total Reserves		(334,492)

The unaudited accounts were issued on XXXXXXXX and the audited accounts were authorised for issue on XXXXXXXXXX.

Valerie Davidson

Assistant Chief Executive

XX XXXXXX 2019

Cash Flow Statement for the year ended 31 March 2019

2017/18 £000		2018/19 £000
(91,297)	Net (surplus) or deficit on the provision of services	(16,816)
(28,300)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 8)	(42,430)
664	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,379
(118,933)	Net cash flows from Operating Activities	(57,867)
76,450	Investing Activities (note 9)	71,180
(42,483)	Net (increase) or decrease in cash and cash equivalents	13,313
21,616	Cash and cash equivalents at the beginning of the reporting period	64,099
64,099	Cash and cash equivalents at the end of the reporting period (note 10)	50,786

Movement in Reserves Statement

Current Year

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Partnership Reserves £000
Balance at 31 March 2018	(11,169)	(23,989)	(92,202)	(127,360)	(201,323)	(328,683)
Movement in reserves during 2018/19						
Total Comprehensive Income and Expenditure	(16,816)	0	0	(16,816)	11,007	(5,809)
Adjustments between accounting basis and funding basis under regulations (note 3)	16,816	(1,994)	21,214	36,036	(36,036)	0
(Increase) / Decrease in 2018/19	0	(1,994)	21,214	19,220	(25,029)	(5,809)
Balance at 31 March 2019 carried forward	(11,169)	(25,983)	(70,988)	(108,140)	(226,352)	(334,492)

Comparative Information for 2017/18

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Partnership Reserves £000
Balance at 31 March 2017	(11,169)	(22,972)	(23,151)	(57,292)	(130,403)	(187,695)
Movement in reserves during 2017/18						
Total Comprehensive Income and Expenditure	(91,297)	0	0	(91,297)	(49,691)	(140,988)
Adjustments between accounting basis and funding basis under regulations (note 3)	91,297	(1,017)	(69,051)	21,229	(21,229)	0
(Increase) / Decrease in 2017/18	0	(1,017)	(69,051)	(70,068)	(70,920)	(140,988)
Balance at 31 March 2018 carried forward	(11,169)	(23,989)	(92,202)	(127,360)	(201,323)	(328,683)

Notes to the Financial Statements

1. Expenditure and Funding Analysis for the year ended 31 March 2019

2017/18			2018/19			
Net Expenditure / (Income) Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure / (Income) Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
(800)	6,683	5,883	Subway operations	(857)	6,870	6,013
15,218	3,531	18,749	Bus operations	15,334	3,090	18,424
1,604	283	1,887	Operations - other	1,785	290	2,075
2,798	347	3,145	Business Support	2,985	360	3,345
2,796	9,360	12,156	Corporate	1,453	12,175	13,628
16,054	(16,054)	0	Contribution to Subway Fund	16,238	(16,238)	0
37,670	4,150	41,820	Cost Of Services	36,938	6,547	43,485
(37,670)	(95,447)	(133,117)	Other Income and Expenditure	(36,938)	(23,363)	(60,301)
0	(91,297)	(91,297)	(Surplus) or Deficit	0	(16,816)	(16,816)
(11,169)			Opening General Fund Balance	(11,169)		
0			Less (Surplus)/Deficit on General Fund	0		
(11,169)			Closing General Fund Balance	(11,169)		

**1B. Note to the Expenditure and Funding Analysis Statement (2018/19) –
Adjustments from General Fund to arrive at the Comprehensive Income and
Expenditure Statement amounts**

	Adjustments for Capital Purposes £000	Net change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Subway operations	5,520	1,291	59	6,870
Bus operations	2,284	449	357	3,090
Operations - Other	0	290	0	290
Business Support	0	360	0	360
Corporate	10,488	61	1,626	12,175
Contribution to Subway Fund	(16,238)	0	0	(16,238)
Cost Of Services	2,054	2,451	2,042	6,547
Other income and expenditure from the Expenditure and Funding Analysis	(10,646)	118	(12,835)	(23,363)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus on the Provision of Services	(8,592)	2,569	(10,793)	(16,816)

Comparative Information for 2017/18

	Adjustments for Capital Purposes £000	Net change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Subway operations	5,391	1,233	59	6,683
Bus operations	2,643	522	366	3,531
Operations - Other	0	283	0	283
Business Support	0	347	0	347
Corporate	8,898	85	827	9,810
Contribution to Subway Fund	(16,504)	0	0	(16,504)
Cost Of Services	428	2,470	1,252	4,150
Other income and expenditure from the Expenditure and Funding Analysis	(86,808)	1,270	(9,909)	(95,447)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus on the Provision of Services	(86,380)	3,740	(8,657)	(91,297)

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

Income received on a segmental basis is analysed below:

	2017/18 £000	2018/19 £000
Subway operations		
-Ticket Income	(18,449)	(19,911)
-Advertising Income	(1,164)	(1,156)
-Miscellaneous Income	(102)	(155)
-Rental Income	(59)	(59)
Total Subway Income	(19,774)	(21,281)
Bus operations		
-Bus Departures and Parking	(1,342)	(1,343)
-Agency Services	(728)	(798)
-Miscellaneous Income	(1,448)	(507)
-Rental Income	(313)	(357)
-Bus Station Facilities	(252)	(237)
-Advertising	(130)	(129)
Total Bus Income	(4,213)	(3,371)
Corporate		
-Interest Received	(664)	(1,379)
-Agency Services	(1,240)	(1,240)
-Rental Income	(221)	(221)
-Miscellaneous Income	(31)	(132)
Total Corporate Income	(2,156)	(2,972)
Total income analysed on a segmental basis	(26,143)	(27,624)

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 25). The specific accounts receivable balance, which relates to invoices issued by SPT, but remain unpaid can be found within the financial instruments note (note 31).

2. Expenditure and Income Analysed by Nature

2017/18 £000		2018/19 £000
	Expenditure	
22,014	Employee costs	21,815
5,955	Premises costs	5,766
2,015	Supplies and services	2,561
101	Transport and plant	80
17,616	Third party payments	18,128
8,406	Financing costs (including impairments)	2,386
8,082	Grant Fund to Local Authorities and Others	18,292
1,270	Pension interest (income) / cost and expected return on pension assets	118
65,459	Total Expenditure	69,146
	Income	
(110,083)	Government grants	(38,652)
(20,583)	Other grants, reimbursements & contributions	(19,686)
(25,426)	Customer and client receipts	(26,245)
(664)	Financing and investment income	(1,379)
(156,756)	Total Income	(85,962)
(91,297)	Surplus on Provision of Services	(16,816)

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

2018/19

	Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000
Adjustments to the Revenue Resources			
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)	(2,569)	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)	17,417	0	(28)
Total Adjustments to Revenue Resources	14,822	0	(28)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,994	(1,994)	0
Total Adjustments between Revenue and Capital Resources	1,994	(1,994)	0
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0
Application of capital grants to finance capital expenditure	0	0	21,242
Total Adjustments to Capital Resources	0	0	21,242
Total Adjustments	16,816	(1,994)	21,214

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)**

2017/18 Comparative Figures

	Usable Reserves		
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000
Adjustments to the Revenue Resources			
<i>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:</i>			
Pensions costs (transferred to (or from) the Pensions Reserve)	(3,740)	0	0
Holiday pay (transferred to (or from) the Accumulated Absences Account)	58	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)	93,948	0	(69,588)
Total Adjustments to Revenue Resources	90,266	0	(69,588)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,031	(1,031)	0
Total Adjustments between Revenue and Capital Resources	1,031	(1,031)	0
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	14	0
Application of capital grants to finance capital expenditure	0	0	537
Total Adjustments to Capital Resources	0	14	537
Total Adjustments	91,297	(1,017)	(69,051)

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

2017/18 £000		2018/19 £000
1,270	Pensions interest cost and expected return on pensions assets	118
(2,464)	Revaluation of Investment Property	(65)
(592)	Net rental income	(637)
(664)	Interest receivable and similar income	(1,379)
(2,450)	Total	(1,963)

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

2017/18 £000		2018/19 £000
(20,579)	Funding received as requisition from constituent local authorities	(19,663)
(8,653)	Scottish Government Revenue Grant	(10,820)
(101,431)	Scottish Government Capital Grant	(27,832)
(4)	Other Capital Grant	(23)
(130,667)	Total	(58,338)

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

6. Balance Sheet – Usable Reserves

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

7. Balance Sheet – Unusable Reserves

31 March 2018 £000		31 March 2019 £000
(56,119)	Revaluation Reserve	(55,124)
(148,528)	Capital Adjustment Account	(187,159)
3,245	Pensions Reserve	15,826
79	Accumulated Absences Account	105
(201,323)	Total Unusable Reserves	(226,352)

7. 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.

2017/18 £000		2018/19 £000
(56,680)	Balance at 1 April	(56,119)
(1,288)	Upward revaluation of assets	(288)
489	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	4
(799)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(284)
1,260	Difference between fair value depreciation and historical cost depreciation	1,279
100	Accumulated gains on assets sold, scrapped or transferred	0
1,360	Amount written off to the Capital Adjustment Account	1,279
(56,119)	Balance at 31 March	(55,124)

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.

7. Balance Sheet – Unusable Reserves (continued)

2017/18 £000		2018/19 £000
(123,517)	Balance at 1 April	(148,528)
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
8,363	Charges for depreciation and impairment of non-current assets	8,092
960	Revaluation losses on property, plant and equipment	1,213
249	Amortisation of intangible assets	442
8,082	Revenue expenditure funded from capital under statute	9,755
1,119	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	2,063
18,773		21,565
(1,360)	Adjusting amounts written out of the Revaluation Reserve	(1,279)
17,413	Net written out amount of the cost of non-current assets consumed in the year	20,286
	Capital financing applied in the year:	
(14)	Use of the Capital Receipts Reserve to finance new capital expenditure	0
(39,409)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(37,610)
(537)	Application of grants to capital financing from the Capital Grants Unapplied Account	(21,242)
0	Capital expenditure charged against the General Fund	0
(39,960)		(58,852)
(2,464)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(65)
(148,528)	Balance at 31 March	(187,159)

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.

7. Balance Sheet – Unusable Reserves (continued)

2017/18 £000		2018/19 £000
49,657	Balance at 1 April	3,245
(50,152)	Re-measurements of the net defined benefit liability/(asset)	10,012
7,646	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	6,148
(3,906)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,579)
3,245	Balance at 31 March	15,826

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.

2017/18 £000		2018/19 £000
137	Balance at 1 April	79
(58)	Settlement or cancellation of accrual made at the end of the preceding year	0
0	Amounts accrued at the end of the current year	26
(58)	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	26
79	Balance at 31 March	105

8. Cash Flow Statement – Non Cash Movements

2017/18 £000		2018/19 £000
(8,363)	Depreciation (note 7)	(7,930)
0	Asset impairments (note 7)	(162)
1,260	Revaluation reserve released (note 7)	1,279
(960)	Revaluation losses on property, plant and equipment	(1,213)
2,464	Revaluation of investment properties (note 7)	65
(249)	Amortisation of intangible assets (note 7)	(442)
(3,740)	Credit for retirement benefits (note 7)	(2,569)
(88)	Gain / (loss) on asset disposal (note 7)	(69)
315	(Increase) / decrease in provisions for liabilities and charges	1,028
(8,082)	Revenue expenditure funded from capital (note 7)	(9,755)
	Accruals adjustments:	
159	(Decrease) / increase in inventory	9
(370)	(Decrease) / increase in debtors	62
(10,646)	Decrease / (increase) in creditors	(22,733)
(28,300)	Net cash inflow from revenue activities	(42,430)

9. Cash Flow Statement – Investing Activities

2017/18 £000		2018/19 £000
39,960	Purchase of property, plant and equipment, investment property, intangible assets and grants	58,852
38,185	Purchase of short-term and long-term investments	15,701
(1,031)	Proceeds from the sale of property, plant and equipment, investment properties and intangible assets	(1,994)
(664)	Interest received (note 4)	(1,379)
76,450	Net cash flows from investing activities	71,180

10. Cash Flow Statement – Cash and Cash Equivalents

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

2017/18 £000		2018/19 £000
14	Cash held by SPT	16
50,829	Current accounts with banks and building societies	28,523
13,256	Short-term deposits with banks and building societies	22,247
64,099	Total cash and cash equivalents	50,786

11. 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.

2017/18 £000		2018/19 £000
69	Fees payable with regard to external audit services carried out by the appointed auditor for the year	71
0	Fees payable for additional services	0
69	Total	71

12. 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.

12. Defined Benefit Pension Schemes (continued)

Benefits

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

Governance

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

Principal Risks

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

Discretionary Post-employment Benefits

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

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.

12. Defined Benefit Pension Schemes (continued)

The following transactions have been made in the financial statements in 2018/19 and the prior year 2017/18.

	2017/18 £000	2018/19 £000
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services:		
Service cost comprising		
• current service cost	6,073	5,820
• past service costs (including curtailments)	303	210
• curtailments and unfunded benefits	0	0
Financing and Investment Income and Expenditure		
• net interest expense	1,270	118
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	7,646	6,148
Other Post Employment Benefit Charged to the CIES		
• expected return on scheme assets	(3,724)	(7,408)
• Re-measurements	(46,428)	17,420
Total Post Employment Benefit Charged to the CIES	(42,506)	16,160
Movement in Reserves Statement		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	3,740	2,569
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers' contributions payable to scheme	3,906	3,579
Pensions Assets and Liabilities Recognised in the Balance Sheet		
The amount included in the Balance Sheet arising from SPT's obligation in respect of its defined benefit plan is as follows:		
	2017/18 £000	2018/19 £000
Present value of scheme liabilities	(233,163)	(256,191)
Fair value of scheme assets	229,918	240,365
Deficit	(3,245)	(15,826)

12. Defined Benefit Pension Schemes (continued)

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

	2017/18 £000	2018/19 £000
Opening fair value of pension fund assets at 1 April	223,588	229,918
Interest income	5,555	6,168
Re-measurement gains and (losses)		
• The return on plan assets, excluding the amount included in the net interest expense	3,724	7,408
Contributions from employers	3,906	3,579
Contributions from employees into the scheme	971	961
Benefits paid	(7,826)	(7,669)
Closing balance at 31 March	229,918	240,365

Reconciliation of Present Value of the Scheme Liabilities

	2017/18 £000	2018/19 £000
Opening balance at 1 April	273,245	233,163
Current service cost	6,073	5,820
Interest cost	6,825	6,286
Contributions by Pension Fund participants	971	961
Re-measurement (gains) and losses:		
• (Gains) / Losses arising from changes in demographic assumptions	(1,288)	0
• (Gains) / Losses arising from changes in financial assumptions	(14,091)	17,284
• (Gains) / Losses Other	(31,049)	136
Past service costs (including curtailments)	303	210
Benefits paid	(7,826)	(7,669)
Closing balance at 31 March	233,163	256,191

12. Defined Benefit Pension Schemes (continued)

Analysis of Pension Fund's Assets

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

	2017/18			2018/19		
	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000
Equity instruments (by industry type)						
• Consumer	14,723	42	14,765	15,393	44	15,437
• Manufacturing	11,929	36	11,965	12,472	37	12,509
• Energy & utilities	3,074	0	3,074	3,213	0	3,213
• Financial institutions	9,912	0	9,912	10,362	0	10,362
• Health & care	5,821	60	5,881	6,086	62	6,148
• Information technology	7,577	2	7,579	7,922	1	7,923
• Other	0	0	0	0	0	0
Sub-total equity	53,036	140	53,176	55,448	144	55,592
Corporate Bonds	7,214	0	7,214	7,542	0	7,542
UK Property	0	20,817	20,817	0	21,763	21,763
Private equity	0	27,474	27,474	0	28,723	28,723
Other investment funds						
• Equities	65,300	5,660	70,960	68,267	5,917	74,184
• Bonds	10,054	16,565	26,619	10,512	17,317	27,829
• Commodities	115	0	115	120	0	120
• Other	0	295	295	0	308	308
Sub-total other investment funds	75,469	22,520	97,989	78,899	23,542	102,441
Derivatives						
• Foreign exchange	0	0	0	0	0	0
• Other	5	0	5	5	0	5
Sub-total derivatives	5	0	5	5	0	5
Cash and cash equivalents	11,836	11,407	23,243	12,374	11,925	24,299
Total assets	147,560	82,358	229,918	154,268	86,097	240,365

12. 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

	2017/18	2018/19
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.7%	2.9%
Bonds	2.7%	2.9%
Property	2.7%	2.9%
Cash	2.7%	2.9%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	21.4	21.4
• Women	23.7	23.7
Longevity at 65 for future pensioners:		
• Men	23.4	23.4
• Women	25.8	25.8
Rate of CPI	2.4%	2.5%
Rate of increase in salaries	3.6%	3.7%
Rate of increase in pensions	2.4%	2.5%
Rate for discounting fund liabilities	2.7%	2.4%
Take-up of option to convert annual pension into retirement lump sum (Pre-April 2009)	50%	50%
Take-up of option to convert annual pension into retirement lump sum (Post-April 2009)	75%	75%

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

12. Defined Benefit Pension Schemes (continued)

Change in assumptions at 31 March 2019	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	23,048
0.5% increase in the Salary Increase Rate	2%	3,937
0.5% increase in the Pension Increase Rate	7%	18,639

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 2018 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 31st March 2020 is £2.865 million.

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

13. Events after the Balance Sheet Date

The accounts were authorised for issue by the Assistant Chief Executive on XX XXX 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

14. 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 2018/19 Transport Scotland, an agency of the Scottish Government, provided SPT with revenue grant funding of £1.037 million (2017/18: £1.091 million) and capital grants totalling £37.587 million (2017/18: £108.977 million). Grant receipts and invoices outstanding at 31 March 2019 were £3.300 million (2017/18: £3.693 million) and are included in Central Government Bodies (note 25 Debtors).

14. Related Parties (continued)

Prepaid income and invoices outstanding at 31 March 2019 were £0.052 million (2017/18: £1.101million) and are included in Central Government Bodies (note 26 Creditors). Grants received but not utilised at 31 March 2019 were £70.988 million (2017/18: £92.202 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 2018/19 is shown in the Remuneration Report.

During 2018/19 the 12 Local Authorities in Strathclyde provided funding totalling £35.901 million (2017/18: £36.633 million) in the form of requisition.

During 2018/19 Glasgow City Council provided SPT with capital funding (as either grants or contributions) of £0.000 million (2017/18: £0.014 million). SPT also received revenue income and grants from local authorities totalling £0.877 million (2017/18: £2.030 million).

During 2018/19 SPT provided capital grants totalling £8.773 million (2017/18: £6.766 million) to Local Authorities within the SPT area in support of various transport improvement projects. SPT also paid for goods / services and provided revenue grants to local authorities totalling £0.764 million (2017/18: £0.783 million).

There is a balance of £0.848 million (2017/18: £1.248 million) in relation to outstanding invoices and accrued income within Debtors (note 25). There is also a balance of £7.165 million (2017/18: £6.818 million) within Creditors (note 26) which primarily relates to outstanding invoices. A balance for receipts in advance is also sitting within Receipts in Advance (note 27) totalling £51.283 million (2017/18: £35.090 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 2018/19 SPT charged £0.291 million (2017/18: £0.279 million) to SCTS for the provision of these services, and £0.334 million (2017/18: £0.237 million) received in income for Concessionary Travel reimbursements. Charges and income outstanding at 31 March 2019 was £0.299 million (2017/18: £0.150 million), and are included in SCTS (note 25 Debtors). A balance of £0.00 million (2017/18: £0.017 million) for prepaid income is included within SCTS (note 26 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 2018/19 SPT approved payments totalling £0.239 million (2017/18: £0.146 million) to Nevis Technologies Limited in support of the development of a smartcard ticketing and payment service. During 2018/19 SPT charged £0.097 million in management fees to Nevis Technologies (2017/18: nil). Payments outstanding at 31 March 2019 were £0.026 million (2017/18: £0.076 million) and are included in Bodies External to General Government (note 26 Creditors). A balance of £0.098 million (2017/18 nil) is included in Bodies External to General Government (note 25 Debtors).

15. Agency Activities

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

Total Costs 2017/18 £000		Administration Recharge £000	Direct Service Payments £000	Total Costs £000
28,842	School and Vocational Transport	1,000	29,037	30,037
944	Bus Shelter Maintenance	202	742	944
279	Strathclyde Concessionary Travel Scheme	291	0	291
30,065	Year to 31 March 2018	1,493	29,779	31,272

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.

16. Leases

SPT as Lessee

Finance Leases

SPT does not currently have any leases that meet the definition of a finance lease (2017/18: 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:

2017/18 £000		2018/19 £000
48	Not later than one year	46
113	Later than one year and not later than five years	81
158	Later than five years	144
319	Total	271

17. Investment Properties

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

2017/18 £000		2018/19 £000
(592)	Rental income from investment property	(637)
(592)	Total	(637)

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

17. Investment Properties (continued)

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

2017/18 £000		2018/19 £000
5,363	Balance at start of the year	5,946
0	Additions / (disposals)	(95)
2,464	Net gains/(losses) from fair value adjustments	65
75	Transfers from/(to) Property, Plant and Equipment	0
(1,956)	Transfers from/(to) Assets Held for Sale	0
5,946	Balance at end of the year	5,916

18. Intangible Assets

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

2017/18 £000		2018/19 £000
	Balance at start of the year	
2,177	• Gross carrying amounts	2,325
(1,602)	• Accumulated amortisation	(1,402)
575	Net carrying amount at start of year	923
372	Additions: purchases	244
(464)	Disposals cost	(71)
240	Transfers cost	0
(249)	Amortisation for the period	(442)
240	Revaluations increases or decreases	0
449	Disposals amortisation	70
(240)	Transfers amortisation	0
923	Net carrying amount at the end of the year	724
	Comprising:	
2,325	• Gross carrying amounts	2,498
(1,402)	• Accumulated amortisation	(1,774)
923		724

19. 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.

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

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

Consequently, in 2018/19 SPT has recognised a management assessed impairment loss of £0.162 million (2017/18: nil) in relation to its Subway electrical infrastructure and Bus Operations fleet.

20. Property, Plant and Equipment
Movements in 2018/19

	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
Cost or Valuation									
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)
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	0	0	0
Transfers	4,509	273	860	0	0	(5,642)	0	0	0
At 31 March 2019	116,810	9,043	37,367	84,590	7,298	83,883	5,916	0	344,907
Accumulated Depreciation and Impairment									
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)
Transfers	0	0	0	0	0	0	0	0	0
At 31 March 2019	7,547	4,092	34,179	44,503	5,546	0	0	0	95,867
Net Book Value									
At 31 March 2019	109,263	4,951	3,188	40,087	1,752	83,883	5,916	0	249,040
At 31 March 2018	108,931	4,982	4,038	41,285	2,205	41,862	5,946	1,956	211,205

20. Property, Plant and Equipment (continued)
Comparative Movements in 2017/18

	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
Cost or Valuation									
At 1 April 2017	112,756	8,600	39,852	78,961	22,077	19,517	5,363	950	288,076
Additions	3,546	224	0	5,045	346	22,345	0	0	31,506
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(341)	0	0	0	0	0	0	0	(341)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,241)	0	0	0	0	0	2,464		223
Derecognition – Disposals	(154)	0	(776)	0	(14,995)	0	0	(950)	(16,875)
Assets reclassified (to)/from held for sale	0	0	0	0	0	0	(1,956)	1,956	0
Transfers	(75)	0	0	0	(240)	0	75	0	(240)
At 31 March 2018	113,491	8,824	39,076	84,006	7,188	41,862	5,946	1,956	302,349
Accumulated Depreciation and Impairment									
At 1 April 2017	3,134	3,503	33,768	41,177	19,391	0	0	0	100,973
Depreciation charge	3,613	339	2,043	1,544	824	0	0	0	8,363
Depreciation written out to the Revaluation Reserve	(900)	0	0	0	0	0	0	0	(900)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(431)	0	0	0	0	0	0	0	(431)
Impairment losses/(reversals) recognised in the Revaluation Reserve	(850)	0	0	0	0	0	0	0	(850)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(6)	0	(773)	0	(14,992)	0	0	0	(15,771)
Derecognition – Disposals	0	0	0	0	(240)	0	0	0	(240)
At 31 March 2018	4,560	3,842	35,038	42,721	4,983	0	0	0	91,144
Net Book Value									
At 31 March 2018	108,931	4,982	4,038	41,285	2,205	41,862	5,946	1,956	211,205
At 31 March 2017	109,622	5,097	6,084	37,784	2,686	19,517	5,363	950	187,103

20. Property, Plant and Equipment (continued)

Capital Commitments

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

Service	Outstanding Commitments as at 31 March 2019 £	Contract Completion Dates
Subway Modernisation	106,651,899	Various
Projects	3,439,887	Various
Subway Operations	1,503,326	Various
Bus Operations	644,018	Various
Subway Infrastructure	319,272	Various
Other	17,274	Various
Total	112,575,676	

Revaluations – Land and Buildings

To comply with the Code, SPT has completed a revaluation exercise on all land and buildings owned by SPT. The land and buildings were revalued at 31 March 2017 by external valuers, the District Valuer.

The valuation process was undertaken in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Inspections were carried out at the end of the financial year. The District Valuer confirmed that the valuations were provided on the following basis:

“The valuations incorporated in these financial statements have been provided by District Valuer Services of the Valuation Office Agency in the capacity of External Valuer. The date of valuation is 31 March 2017 and in accordance with the requirements of the RICS Valuation Standards and International Financial Reporting Standards (IFRS) as applied to the United Kingdom public sector and interpreted by the current CIPFA Code of Practice for Local Authority Accounting, as applicable from 1 April 2015 the valuation of each property was provided on the following bases and assumptions:

- (a) For owner occupied property: valued to Current Value in existing use (EUV) having regard to the service potential that an asset provides in support of the entity’s service delivery and on the assumption 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) For investment property: valued to Fair Value as defined by IFRS 13, and equates to being the Market Value of the legal interest held.

District Valuer Services’ opinion of Current Value and Fair Value was primarily derived using:

- (a) comparable recent market transactions on arm’s length terms; and
- (b) for specialised assets, the Depreciated Replacement Cost approach because the specialised nature of the asset means that there are no market transactions of this type of asset except as part of the business or entity.

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

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

The revaluation exercise in 2017 excluded Kelvinhall Subway Station and Broomloan Depot since these properties were revalued in 2015 following completion of extensive modernisation work. Management have considered the valuations performed in 2015 and, as they are not aware of any material change in value, the valuations have not been updated for these two properties.

20. Property, Plant and Equipment (continued)

The revaluation exercise in 2017 excluded 131 St Vincent Street (headquarters) since this property was revalued in 2015 following acquisition and has subsequently undergone extensive fit-out and modernisation work completed in 2016. Management have considered the valuation performed in 2015 and, as they are not aware of any material change in value, the valuation has not been updated for this property.

The revaluation exercise in 2017 excluded St Enoch Subway Station and Buchanan Subway Station since these properties were revalued in 2016 following completion of extensive modernisation work. Management have considered the valuations performed in 2016 and, as they are not aware of any material change in value, the valuations have not been updated for these two properties.

Valuations have been carried out at 31 March 2018 by external valuers, the District Valuer, of Kelvinbridge Subway Station and Shields Road Subway Station following extensive modernisation work. Revaluation gains and losses have been recognised for these properties.

Valuations have been carried out at 31 March 2019 by external valuers, the District Valuer, of Partick Bus Station and Bridge Street Subway Station following extensive modernisation work. Revaluation gains and losses have been recognised for these properties.

Extensive modernisation work at Cowcaddens Subway Station and St. George's Cross Subway Station is due to be completed in 2019/20 and these properties will be revalued at that time. The costs incurred to 31 March 2019 were reviewed to ascertain if they would increase that asset value by a similar or lesser amount and no impairment loss has been recognised.

Revaluations – Non-operational investment and land properties

As required by the Code, an annual valuation of non-operational investment and land properties was conducted at 31 March 2019. This exercise was conducted by SPT's external valuers, the District Valuer.

Revaluations – Investment Properties Held for Sale

Investment properties held for sale are valued at market value. Market value is based on the offers received for the properties.

21. 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.

2017/18 £000		2018/19 £000
0	Opening Capital Financing Requirement	0
	Capital investment:	
31,506	Property, Plant and Equipment	48,853
372	Intangible Assets	244
8,082	Revenue expenditure funded from capital under statute	9,755
	Sources of finance:	
(14)	Capital receipts	0
(39,946)	Government grants and other contributions	(58,852)
0	Revenue contributions	0
0	Closing Capital Financing Requirement	0

22. 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.

23. Investment Properties Held for Sale

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

2017/18		2018/19
£000		£000
950	Balance at start of year	1,956
1,956	Assets newly classified as held for sale: Investment Properties	0
(950)	Assets sold	(1,956)
1,956	Balance at year-end	0

24. Inventories

2017/18		2018/19
£000		£000
434	Balance at start of year	593
1,030	Purchases	724
(871)	Recognised as an expense in the year	(715)
593	Balance at year-end	602

25. Short-term Debtors

31 March		31 March
2018		2019
£000		£000
757	Trade Receivables	746
5,704	Prepayments and Accrued Income	5,481
1,016	Other receivables amounts	1,312
7,477	Total	7,539

26. Short-term Creditors

31 March		31 March
2018		2019
£000		£000
4,539	Trade Payables	8,561
12,294	Accruals and Prepaid Income	13,612
2,535	Other payables amounts	3,690
19,368	Total	25,863

27. Receipts in Advance

31 March 2018 £000		31 March 2019 £000
35,045	Receipts in advance – Other local authorities	51,283
35,045	Total	51,283

The £51.283 million balance within Receipts in Advance will be used to fund the Subway Modernisation programme and other future Subway initiatives. The balance relates to contributions made each year from local authorities.

28. Provisions

	Injury and Damage Compensation Claims £000	Employee £000	Legal and Other Claims £000	Total £000
Balance at 1 April 2018	116	680	681	1,477
Additional provisions made in 2018/19	78	338	0	416
Amounts used in 2018/19	(28)	(658)	(362)	(1,048)
Unused amounts reversed in 2018/19	(53)	(24)	(319)	(396)
Balance at 31 March 2019	113	336	0	449

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.

The legal and other claims provision takes account of estimated legal fees and settlement costs.

29. Contingent Liabilities

At 31 March 2019 SPT did not have any contingent liabilities (2017/18: nil).

30. 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				Current		Total
	Investments in Joint Ventures and Associates		Cash and Investments		Debtors		
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	
Amortised Cost	5	5	167,615	170,003	7,477	7,539	177,547
Total	5	5	167,615	170,003	7,477	7,539	177,547

Financial Liabilities

	Non-Current		Current		
	Creditors		Creditors		Total
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2019
Amortised Cost	35,045	51,356	19,368	25,863	77,219
Total	35,045	51,356	19,368	25,863	77,219

Financial Instruments Gains / Losses / Expenses charged during 2018/19 (at amortised cost)

The gain incurred by SPT in 2018/19 was an interest gain of £1.379 million (2017/18: £0.664 million). There was no expense as SPT is debt free at present.

31. 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

www.spt.co.uk/documents/latest/rtp230218_agenda5.pdf

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

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 31 March 2018 £000		Amount as at 31 March 2019 £000	Historical Experience of Non-payment Adjusted for Market Conditions %	Estimated Maximum Exposure to Default and Un- collectability £000
168,185	Deposits with banks and other financial institutions	170,544	0	0
757	Customers	746	0.01	0
168,942	Total			0

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 authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market Risk

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

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

According to these investment strategies, as at 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2018 £000		31 March 2019 £000
	Estimated Financial Effect	
(1,204)	Increase in interest receivable on variable rate investments	(1,642)
(1,204)	Net theoretical impact on I&E Account	(1,642)

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.

32. 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 Party Transactions on page 42.

Group accounts have not been prepared on the grounds of materiality.

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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 Remuneration 2017/18 £		Salary, Fees & Allowances £	Total Remuneration 2018/19 £
143,265	Gordon Maclennan: Chief Executive	143,315	143,315
121,776	Valerie Davidson: Assistant Chief Executive (Business Support)	121,819	121,819
121,776	Eric Stewart: Assistant Chief Executive (Operations) to 14/04/2018*	79,149	79,149
386,817	Total	344,283	344,283

* Remuneration for the year includes a severance payment.

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

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

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

Total Remuneration 2017/18 £		Salary, Fees & Allowances £	Total Remuneration 2018/19 £
2,719	Jonathan Findlay, Chair to 04/05/2017	0	0
16,812	Dr Martin Bartos, Chair from 01/06/2017	21,102	21,102
1,496	Denis McKenna, Vice Chair to 04/05/2017	0	0
1,496	Kaye Harmon, Vice Chair to 04/05/2017	0	0
9,247	Alan Moir, Vice Chair from 01/06/2017	11,606	11,606
7,565	David Wilson, Vice Chair from 01/06/2017	9,496	9,496
39,335	Total	42,204	42,204

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.

2017/18 £000		2018/19 £000
0	Salaries	0
39	Allowances	42
1	Expenses	1
40	Total	43

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

The pension entitlements of senior employees for the year to 31 March 2019 are shown in the table below together with the contribution made by SPT to each senior employee's pension during the year:

	In-year pension contributions			Accrued pension benefits	
	Year to 31 March 2018 £	Year to 31 March 2019 £		Year to 31 March 2018 £	Year to 31 March 2019 £
Gordon Maclennan: Chief Executive (1)	27,650	27,660	Pension	27,554	30,951
			Lump Sum	13,244	13,391
Valerie Davidson: Assistant Chief Executive (Business Support) (2)	23,503	23,511	Pension	52,504	55,804
			Lump Sum	98,581	99,872
Eric Stewart: Assistant Chief Executive (Operations) (3)	23,503	1,809	Pension	27,300	0
			Lump Sum	22,013	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.

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 2018-19 have stayed the same as they were for 2017-18. Tiers are as follows: Whole time pay	Contribution rate 2018/19	Contribution rate 2017/18
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 £20,700		5.5%
On earnings above £20,700 and up to £25,300		7.25%
On earnings above £25,300 and up to £34,700		8.5%
On earnings above £34,700 and up to £46,300		9.5%
On earnings above £46,300		12%

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

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

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

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

Remuneration band	2017/18 Number of employees	2018/19 Number of employees
£50,000 - £54,999	8(1)	11(3)
£55,000 - £59,999	9(1)	6(1)
£60,000 - £64,999	12(1)	13(3)
£65,000 - £69,999	3(1)	2
£70,000 - £74,999	3	5
£75,000 - £79,999	0	2(1)
£80,000 - £84,999	1	0
£85,000 - £89,999	0	0
£90,000 - £94,999	1	1
£95,000 - £99,999	0	1(1)
£100,000 - £104,999	1	1
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	2	1
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	1	1
£145,000 - £149,999	0	0

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

Exit Packages

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

Exit package cost band	2017/18 Number of compulsory redundancies	2017/18 Number of other departures	2018/19 Number of compulsory redundancies	2018/19 Number of other departures
£0 - £20,000	6	0	2	2
£20,001 - £40,000	8	2	3	1
£40,001 - £60,000	2	3	3	2
£60,001 - £80,000	2	1	1	0
£80,001 - £100,000	2	1	0	0
£100,001 - £150,000	0	1	1	0
£150,001 - £200,000	1	0	0	0
Total	21	8	10	5

Exit package cost band	2017/18 Total number of exit packages by cost band	2017/18 Total cost of exit packages £000	2018/19 Total number of exit packages by cost band	2018/19 Total cost of exit packages £000
£0 - £20,000	6	68	4	32
£20,001 - £40,000	10	287	4	134
£40,001 - £60,000	5	249	5	246
£60,001 - £80,000	3	217	1	60
£80,001 - £100,000	3	263	0	0
£100,001 - £150,000	1	123	1	132
£150,001 - £200,000	1	163	0	0
Total	29	1,370	15	604

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 2018/19.

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
19	19

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%	4
1% - 50%	15
21% - 99%	0
100%	0

Table 3 - Percentage of pay bill spent on facility time

Description	Figures
Total cost of facility time	£6,296
Total pay bill	£19,485,345
Percentage of the total pay bill spent on facility time	0.03%

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	100%
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Martin Bartos

Chair

XX XXXX 2019

Gordon MacLennan

Chief Executive

XX XXXX 2019