

# Strathclyde Partnership for Transport Annual Accounts for the year ended 31 March 2022

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# Members of Strathclyde Partnership for Transport

## Members of the Partnership as at 31 March 2022

<b>Member</b>	<b>Representing</b>
<b>Councillor Graham Hardie</b>	Argyll & Bute Council
<b>Councillor Jim Roberts</b>	East Ayrshire Council
<b>Councillor Alan Moir (Vice Chair)</b>	East Dunbartonshire Council
<b>Councillor Jim Fletcher</b>	East Renfrewshire Council
<b>Councillor Malcolm Balfour</b>	Glasgow City Council
<b>Councillor Martin Bartos (Chair)</b>	Glasgow City Council
<b>Councillor Graham Campbell</b>	Glasgow City Council
<b>Councillor Richard Bell</b>	Glasgow City Council
<b>Councillor Anna Richardson</b>	Glasgow City Council
<b>Councillor David Wilson (Vice Chair)</b>	Inverclyde Council
<b>Councillor Donald Reid</b>	North Ayrshire Council
<b>Councillor Colin Cameron</b>	North Lanarkshire Council
<b>Councillor William Goldie</b>	North Lanarkshire Council
<b>Councillor Michael McPake</b>	North Lanarkshire Council
<b>Councillor Marie McGurk</b>	Renfrewshire Council
<b>Councillor Ian Cochrane</b>	South Ayrshire Council
<b>Councillor Maureen Devlin</b>	South Lanarkshire Council
<b>Councillor Richard Nelson</b>	South Lanarkshire Council
<b>Councillor David Shearer</b>	South Lanarkshire Council
<b>Councillor Jim Finn</b>	West Dunbartonshire Council
<b>Gregory Beecroft</b>	Appointed Member
<b>Jenna Dickson</b>	Appointed Member
<b>Anne Follin</b>	Appointed Member
<b>Dr George Hazel</b>	Appointed Member
<b>Graham Johnston</b>	Appointed Member
<b>Ed McGrachan</b>	Appointed Member
<b>Andrew Walters</b>	Appointed Member

The Partnership consists of 20 Elected Members representing the 12 constituent unitary authorities in the west of Scotland and between 7 and 9 Appointed Members. There are currently 7 Appointed Members. The Partnership met on 5 occasions during 2021/22.

The directors of the organisation are defined as the Chief Executive, Valerie Davidson, Director of Finance & Corporate Support, Neil Wylie and Director of Subway, Antony Smith.

### **Address for Correspondence**

**Neil Wylie**

**Director of Finance & Corporate Support**

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 our expectations of what the future holds.

## About Strathclyde Partnership for Transport

Strathclyde Partnership for Transport is the Regional Transport Partnership for the west of Scotland covering 12 council areas and a population of 2.14 million people.

SPT's Partnership Board is made up of 20 elected members representing 12 constituent councils, and in 2021/22 there were seven Appointed Members.

The Partnership was chaired in 2021/22 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 [spt.co.uk/spt-across-the-region/about-spt/our-team/members/](https://spt.co.uk/spt-across-the-region/about-spt/our-team/members/). The Partnership's policies and decisions are implemented by SPT staff under the strategic direction of Chief Executive, Valerie Davidson supported by other senior management.

SPT is at the heart of the region's transport planning, operations and project delivery; working to develop an integrated network now and for the future. We provide subsidised contracted local bus services, are instrumental in the delivery and growth of community transport, and provide demand responsive services — MyBus — in areas not served by the commercial market and in rural communities where public transport would otherwise be unavailable. We deliver on street bus shelters and stops, transport information and are a key influence in the design of the bus network. These services continued throughout 2021/22 despite the significant and variable challenges experienced throughout the year as a result of the COVID-19 pandemic. As a consequence, operational and financial performance measures differ greatly in 2021/22 from the historic norms.

SPT organises the biggest school run in Scotland – ensuring around 35,000 pupils get to and from school every day. We control and operate Buchanan, East Kilbride, Hamilton, Greenock, Partick and Govan bus stations with over 1 million bus service departures from our stations this year.

SPT also own and operate the Subway in Glasgow – the world's third oldest underground system and a vital part of the west of Scotland's transport network. The Subway carried 8.0 million passengers (2020/21: 2.5 million) in 2021/22 against a pre Covid patronage of 13.2 million in 2019/20.

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

SPT's Subway continues to operate its Smartcard ticketing system, with to date more than 270,000 Smartcards issued. On behalf of operators, SPT is also responsible for the operation and administration of the region's ZoneCard – an integrated multi-modal ticketing scheme. In spite of significant disruptions to travel patterns throughout the year, customers still made 2.3 million essential journeys using ZoneCards. SPT working with partners and other operators used established interoperability of smartcards across different public transport modes, to help facilitate seamless delegate travel including on Subway during the COP26 summit in 2021.

We also work with many other organisations central to the planning and delivery of transport, including constituent councils, Transport Scotland, Clydeplan and public transport operators. This collaborative work with stakeholders has been more important than ever given the challenges of the last year.

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

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

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

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

SPT's functions are determined by the Transport (Scotland) Act 2005, which, in addition to creating new responsibilities, effectively transferred the functions of Strathclyde Passenger Transport Authority (SPTA) and Executive (SPTE) to SPT as the Regional Transport Partnership for the west of Scotland. This resulted in SPT assuming the majority of responsibilities and roles of the former SPTA and SPTE with effect from 1 April 2006.

## **Our Priorities**

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

The four Strategic Outcomes of the RTS as noted above, and an additional corporate priority of 'Improved service delivery' remained SPT's priority during 2021/22. However, the operating environment across all services was significantly altered and variable through the year as a result of COVID-19. The impact of the pandemic meant a strengthened focus on providing reliable, safe access to public and school transport, flexing service provision in line with government guidance and responding to changing circumstances throughout the year. Protecting our staff and customers at all times was paramount.

## **Performance Reporting**

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

[spt.co.uk/spt-across-the-region/about-spt/minutes-agendas](https://spt.co.uk/spt-across-the-region/about-spt/minutes-agendas)

In addition, the full year performance is reported in the Annual Report 2022 and can be found at:

[spt.co.uk/spt-across-the-region/about-spt/documents/annual-reports](https://spt.co.uk/spt-across-the-region/about-spt/documents/annual-reports)

## **Treasury Management**

SPT has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes' and fully complies with the requirements of the 2017 Edition, 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 2021/22 Treasury Management Strategy can be found at:

[spt.co.uk/media/krppxmyi/p120321\\_agenda8.pdf](https://spt.co.uk/media/krppxmyi/p120321_agenda8.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 risks at this stage arise from the continuing uncertainty over the impact of the COVID-19 pandemic and continuing public sector financial funding constraints. Risks are reviewed regularly and reported to each Audit & Standards Committee for scrutiny and can be found at:

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

## **Look Ahead**

### **COVID-19 Pandemic**

The COVID-19 Pandemic again had a material impact on a number of aspects of SPT's operations throughout 2021/22. Whilst there were genuine signs of recovery in public transport usage, particularly towards the end of the financial year, it varied through the year in response to the prevailing Covid situation and public health messaging. Subway patronage and income, which has the most direct impact on SPT's overall revenue position, did recover from the historically low 2020/21 level but over the course of the year averaged 60% of pre Covid levels. Therefore, there remains a significant gap to achieve full recovery.

SPT's services are planned to operate as near to normal as possible in 2022/23 including all project development activities. As noted, patronage remains low against historical trends and hence farebox income is also significantly lower than previous years. Other income streams are lower than the norm with the

consequence that SPT's revenue financial position remains very challenging. The only exception to that, providing some offset, relates to investment income which is forecast to increase due to recent increases in the UK base rate. The financial support from Transport Scotland in the form of COVID Light Rail Support Grant, ended on 30 September 2021. Although operational and earned income for 2022/23 is budgeted to be £8.9 million higher than the previous years' budget, that remains £8.2 million below the 2019/20 budget. To achieve a deliverable balanced budget various expenditure reduction measures and efficiencies are in place, including a pause in planned contribution to the long term subway fund.

SPT has sufficient resources available to ensure that reduced income will not create any cash flow or borrowing issues in 2022/23. In addition, reserves remain in place to support SPT's position in the short term. Any longer term impact, unknown at this point, will be dependent on the recovery from the pandemic and the impact on travel patterns for both work and leisure purposes.

### **Subway modernisation**

The roll-out of the £288.7 million Subway modernisation programme continues with an intense period of mainline rolling stock testing, construction and delivery of the remaining rolling stock units and continued work on the design and build of signalling and associated systems.

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

### **Regional Transport Strategy**

SPT is developing a new Regional Transport Strategy (RTS) for Strathclyde. The new RTS will set out a long-term vision, policies and actions for the transport system to help develop a more sustainable and growing economy; enable a healthier, more inclusive and fairer society; and reduce the impact of transport on the environment.

The new RTS is being developed through an objective-led process in line with Scottish Transport Appraisal Guidance, drawing upon a wide range of evidence and analysis to achieve a co-ordinated approach to improving our transport future. All required statutory assessment processes are also being undertaken for the new RTS, including a Strategic Environmental Assessment and Equality Impact Assessment.

Extensive engagement has been undertaken in the development of the RTS to date, including a public survey which generated over 4,000 responses, and a consultation with the public, partners and stakeholders on the RTS Case for Change. The new RTS development process is nearing completion, with a 12-week public consultation on the Draft RTS due to take place over summer 2022. Following that, and having taken into account comments received during the consultation, the RTS will be presented to the SPT Partnership board later in 2022 and then, if approved, will be submitted to Scottish Ministers for their approval.

### **Smart and integrated ticketing**

The Subway Smartcard has been established as a popular choice for customers with more than 270,000 cards in use. SPT in conjunction with a number of public transport operators including ScotRail, McGill's, Stagecoach and Tripper cards have combined to ensure that any Smartcard from these operators now works across multiple modes of transport delivering real interoperability. SPT is also continuing to work with a host of operators within the Zonocard Forum on redeveloping the long established Zonocard product as a smart enabled ticketing product, with a simplified zone structure, more flexible ticketing options and modern accessible purchasing routes. It is anticipated that a contract will be awarded for the supply of a smart enabled Zonocard product in 2022/23.

### **Preparation of the Annual Accounts**

The annual accounts demonstrate SPT's sound stewardship of the public funds it controls and manages. The annual accounts have been prepared in accordance with the CIPFA 'Code of Practice on Local Authority Accounting in the United Kingdom 2021/22' (the "Code") which is based upon International Financial Reporting Standards (IFRS). Therefore, the Code, which remains the authoritative accounting standard for local authorities (and related bodies) across the UK, is based upon internationally common accounting practices.

Pages 14 to 23 of the annual accounts set out the accounting policies adopted by SPT in the preparation of the annual accounts to ensure that the annual accounts give a 'true and fair view' of SPT's financial position.

### **Financial Review**

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

The COVID-19 pandemic continued to have a material, negative impact on SPT's finances in 2021/22. Operational and earned income was £8.9 million lower than in the financial year 2019/20. Support from Transport Scotland in respect of Subway income was received for the period from April 2021 to September 2021, in the form of £5.629 million of COVID Light Rail Support Grant.

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

SPT's net revenue budget was set at £36.431 million, of which £35.782 million was financed by requisition from the 12 local authority partners in the SPT area and £0.649 million was financed by Scottish Government direct grants. Requisition and Scottish Government grant was received as budgeted for.

As in 2020/21 a contribution to the Rolling Stock, Signalling and Associated Equipment Fund was planned for 2021/22, in accordance with the Subway Modernisation Business Case submitted to the Scottish Government, and has been generated. A contribution of £7.820 million (2020/21: £10.423 million) was made during the year reflecting the long-term requirement to fund subway modernisation and associated costs. The Strategic Bus Routes Fund was also increased in 2021/22 to reflect anticipated future financial pressures arising from the ongoing pandemic, inflationary pressures and rising fuel costs. Non-earmarked reserves were also increased to a level which reflects the value of all operational income for a period of approximately 6 months. The change reflects the reality that SPT relies on income from across the organisation and that as result of our experiences over the last 2 years due to Covid, particularly the first quarter of 2020/21 it is prudent to do so.

### **Balance Sheet**

SPT's balance sheet is shown on page 26 of the annual accounts and provides details of SPT's assets and liabilities as at 31 March 2022. SPT continues to have significant balances under Short-term Investments and Cash and Cash Equivalents. The current balance for Short-term Investments is £96.126 million (2020/21: £100.902 million) and for Cash and Cash Equivalents the balance is £79.506 million (2020/21: £71.426 million). The balances are so significant predominantly due to funds being set aside within Reserves and the Capital Grants Unapplied Account to fund the Subway Modernisation. It is anticipated that these reserves will reduce in the short-term due to the financial impact of the COVID-19 Pandemic. However, the longer-term impact remains unknown at this stage.

### **Cash Flow Statement**

The Cash Flow Statement on page 27 of the annual accounts summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes during the year.

### **Total Movement in Reserves**

The Movement in Reserves Statement on page 28 of the annual accounts shows the movement in revenue and capital reserves held by SPT as at 31 March 2022. The major movements in reserves in the year are: an increase in the General Fund Balance of £13.322 million; a decrease in the Capital Grants Unapplied Account of £9.957 million; a decrease in the Revaluation Reserve of £1.247 million; an increase in the Capital Adjustment Account of £9.439 million; and an increase in the Pensions Reserve of £29.575 million.

The decrease in the Capital Grants Unapplied Account relates to the use of this reserve as a source of funding for new capital expenditure.

### **Capital Expenditure**

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

Details of capital expenditure are provided in note 23 (page 55 of the annual accounts). Total expenditure in support of the programme amounted to £25.793 million (2020/21: £23.059 million). The programme was funded by: £15.327 million Scottish Government general capital grant; £9.968 million Scottish Government specific capital grant in support of Subway Modernisation; and £0.498 million direct revenue contributions from the Subway Infrastructure Fund.

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

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

## Valuation of Non-current Assets

In 2021/22 some properties were revalued in accordance with the Code, resulting in revaluation losses of £0.044 million charged to the Comprehensive Income and Expenditure Statement (CIES).

As a result of the Subway Modernisation programme, an annual review has been instigated of all Subway assets to determine if any would be rendered obsolete ahead of their scheduled useful life by the planned investment in new assets. This review also incorporates non-subway assets. However, in 2021/22, no impairment losses have been identified.

## Pension Assets and Liabilities

The common position for employers participating in the Strathclyde Pension Fund is that the International Accounting Standard 19 (IAS19), 'Retirement Benefits' calculation (page 43 of the annual accounts) is based on a snapshot valuation as at 31 March 2022, which shows a surplus of £30.586 million (2020/21: £1.011 million). The reduction in deficit predominantly relates to a change in the financial assumptions used in the actuarial valuation with the assumed pension rate, salary increase rate and discount rate all reducing.

## Membership of the Partnership

Details of the Members of the Partnership at 31 March 2022 are shown on page 2 of the annual accounts.

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

**Stephen Dornan**

Chair

XX September 2022

**Valerie Davidson**

Chief Executive

XX September 2022

**Neil Wylie**

Director of Finance & Corporate Support

XX September 2022

# 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 Director of Finance & Corporate Support;
- 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 Director of Finance & Corporate Support responsibilities

The Director of Finance & Corporate Support is responsible for the preparation of the Partnership's statement of accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code of Practice").

In preparing this statement of accounts, the Director of Finance & Corporate Support has:

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

**I certify that the Annual Accounts have been approved for signature by the Partnership at its meeting on XX September 2022.**

**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 2022.**

**Stephen Dornan**

Chair

XX September 2022

**Neil Wylie**

Director of Finance & Corporate Support

XX September 2022



# Annual Governance Statement and Statement of Financial Control

## Scope of the Governance Framework

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

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

SPT is also responsible for establishing proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and is focused on meeting key strategic and business objectives and that benefits are realised.

It was important to SPT that every effort was made to maintain the highest standards of governance during the public health emergency throughout 2021/22, which continued to change working arrangements to ensure compliance with the government restrictions.

## The Purpose of the Governance Framework

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

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

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

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

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

## The Governance Framework

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

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

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

These arrangements are supplemented by HR policy and guidance.

*Equality and Diversity Monitoring* and *Advancing Equality Pay Gap Update* reports were presented to and noted by the Personnel committee at its meeting of 30 April 2021.

A full committee cycle for all members was held throughout 2021/22 via video conferencing with some in-person meetings following easing of restrictions.

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

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

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

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

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

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

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

*Progress reports* on the new Regional Transport Strategy were presented to and noted by the Partnership at its meetings throughout 2021/22.

## **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 2021/22 to promote and increase sustainable growth through the exercise of its functions.

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

The Strathclyde Partnership for Transport Annual Report 2020/21 was presented to and approved by the Partnership at its meeting of 17 September 2021 and shared widely with all stakeholders.

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

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

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

The SPT strategy group and senior management receive advice and guidance from officer led groups responsible for the consideration of, for example, environmental sustainability, Digital transformation, and health and safety to drive and direct the decision making process. This advice is supplemented by external support provided by specialist professionals and services, where appropriate. During 2021/22, this included the presentation of the *Annual Safety Performance report 2020/21* to the Personnel committee at its meeting of 5 November 2021.

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

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

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

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

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

A *Learning and Development update* and activity report covering all areas of service delivery was presented to and noted by the Personnel committee at its meeting of 5 November 2021.

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

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

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

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

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

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

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

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

A *Cyber resilience update* report was presented to and noted by the Audit & Standards committee at its meeting of 27 August 2021.

Updated *Information and Cyber Security policies* were presented to and noted by the Personnel committee at its meeting of 5 November 2021.

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

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

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

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

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

An Audit & Standards committee annual report 2021/22 was presented to and noted by the Partnership at its meeting of 18 March 2021.

### Monitoring and Review of Governance Arrangements

SPT's governance arrangements are formally monitored via:

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

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

### Chief Executive

Following the retirement of the (former) Chief Executive in August 2021, the Assistant Chief Executive was appointed interim Chief Executive with immediate effect.

A Recruitment committee comprising of six cross party representation of elected members was established. An extensive robust recruitment process was undertaken with specialist external support, culminating in a recommendation to the Partnership meeting of 17 December 2021.

This recommendation was unanimously approved with Valerie Davidson appointed as Chief Executive from 17 December 2021.

### Financial Management Code

The Financial Management Code (CIPFA) identifies risks to financial sustainability, introduces an overarching framework of assurance and sets out standards of financial management.

The principles, in applying standards of financial management, are:

- **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture;
- **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs;
- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making;
- Adherence to professional **standards** is promoted by the leadership team and is evidenced;
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection;
- The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

SPT has arrangements in place to meet all these principles in application of the prescribed standards of financial management.

## **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 Director of Finance & Corporate Support is the responsible officer and is a member of the SPT Strategy Group.

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

## **System of Internal Financial Control**

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

This statement applies to the 2021/22 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:

- application of the standards of financial management;
- 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 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 2021/22 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.

**Stephen Dornan**

Chair

XX September 2022

**Valerie Davidson**

Chief Executive

XX September 2022

DRAFT

# Accounting Policies

## General Principles

The annual accounts for the year ended 31 March 2022 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 2021/22 (the Code). The Code is based on International Financial Reporting Standards (IFRS) with interpretation appropriate to the public sector. The statements are designed to give a 'true and fair view' of the financial performance and position of SPT for 2021/22.

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 2022 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 2022 relating to goods or services received in the year together with specific accruals in respect of further material items.

- **Capital transactions**

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

### 2. Leases and Lease Type Arrangements

#### Finance Leases

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

#### Operating Leases

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

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

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

## 3. Employee Benefits

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

## 4. Termination Benefits

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

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

## 5. Retirement Benefits

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

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

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

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

### Service cost comprising:

- current service cost – the increase in liabilities as a result of the year of service earned this year – allocated in the CIES to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the CIES;
- net interest on the net defined benefit liability (asset), i.e. net interest expense for SPT – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.



## 5. Retirement Benefits (continued)

### Remeasurements comprising:

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

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

Further details of Pension Costs can be found in note 14 on pages 41 to 47.

## 6. Stocks for repair and maintenance

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

## 7. Allocation of overheads

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

## 8. Debt redemption, interest charges and debt management expenses

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

## 9. Investments

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

## 10. Cash and Cash Equivalents

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

## 11. Provisions and Contingent Liabilities

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

## 11. Provisions and Contingent Liabilities (continued)

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

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

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

## 12. Value Added Tax (VAT)

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

## 13. Usable and Unusable Reserves

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

The General Fund, Insurance Fund, Renewal and Repairs Fund, Capital Grants Unapplied and Capital Fund represent cash funds that are available to SPT.

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

## 14. Capital Grant

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

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

## 15. Intangible Assets

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

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

## 15. Intangible Assets (continued)

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

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

## 16. Property, Plant and Equipment

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

- rolling stock, infrastructure, plant and machinery and sundry assets - depreciated historical cost;
- land and buildings – depreciated replacement cost or existing useful life; and
- all other assets – fair value, existing use value (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 2020 and will be revalued in accordance with the valuer's 5-year programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

### Impairment

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

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

is recognised for the shortfall.

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

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

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

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

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

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

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

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

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

### **Depreciation**

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

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

Depreciation is calculated on the following bases:

Category	Valuer	Current Basis of Valuation	Date of Last Valuation	Useful Life
Land & Buildings	External Valuer	Lower of net current replacement cost or net realisable value in existing use	31/03/2020	Land - Not Applicable Buildings 2-100 years
Plant & Machinery	Not applicable	Cost	N/A	2-30 years
Rolling Stock and Vehicles	Not applicable	Cost	N/A	2-25 years
Infrastructure Assets	Not applicable	Cost	N/A	10-40 years
Sundry Assets	Not applicable	Cost	N/A	2-40 years
<b>Non – Operational Assets</b>				
Assets Under Construction	Not applicable	Cost	N/A	N/A
Investment Properties	External Valuer	Market Value	31/03/2022	N/A
Investment Properties Held for Sale	Not applicable	Market Value	N/A	N/A
Land (non-operational)	Not applicable	Market Value	N/A	N/A

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Where staff / consultancy costs are capitalised they are aligned to the appropriate asset / component and depreciated over the life of the asset.

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

### Investment Properties

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

## 17. Related party transactions

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

## 18. Financial instruments

### Financial Liabilities

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

### Financial Assets

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

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

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

### Financial Assets Measured at Amortised Cost

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

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

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

## 19. Revenue Expenditure Funded from Capital under Statute

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

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

## 20. Heritage Assets

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

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

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

## 21. Accounting Standards Issued Not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2021/22 Code:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

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

## 22. Critical judgements made in applying accounting policies

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

- Judgements made in respect of non-current assets as set out in accounting policy, 16 – Property Plant & Equipment. Land & Buildings are held at current value and are revalued on a five year rolling basis, but additional valuations may be carried out on an ad hoc basis out with the rolling programme arrangements, for example, when asset has been significantly modernised / upgraded. All SPT Land & Building assets were revalued as at 31/03/2021, but due to the current COVID 19 Pandemic the valuer included the below statement surrounding Market Uncertainty within their valuation report.

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

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

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

## 22. Critical judgements made in applying accounting policies (continued)

Further clarification was sought from the valuer over the potential effect of market uncertainty on the valuations provided. It was ascertained that the market uncertainty predominantly impacts on the valuation of SPT's investment property, which account for under 5% of SPT's total property assets. Investment properties have been revalued on the two preceding financial years with no '*material valuation uncertainty*' being reported. Sensitivity analysis in relation to investment properties is detailed in accounting policy 23, Assumptions about the future and other sources of estimation uncertainty.

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

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

The Financial Statements contain estimated figures that are based on assumptions made by SPT about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The item in SPT's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied.	<p>The sensitivities regarding the principal assumptions used by the consulting actuaries to measure the scheme liabilities are set out below:</p> <ul style="list-style-type: none"> <li>• A 0.1% decrease in the real discount rate would result in a 2% increase (£4.634 million) in the employer's obligation.</li> <li>• A 0.1% increase in the salary increase rate would result in a 0% increase (£0.515 million) in the employer's obligation.</li> <li>• A 0.1% increase in the pension increase rate would result in a 2% increase (£4.081 million) in the employer's obligation.</li> <li>• A 1-year increase in life expectancy would result in a 4% increase (£10.484 million) in the employer's obligation.</li> </ul>
Valuation of Investment Properties	Investment properties are valued by applying a reversionary yield rate to convert income receivable into an indication of the anticipated value of the property.	<p>The sensitivities regarding the reversion yield used by the valuers to measure the investment properties are set out below:</p> <ul style="list-style-type: none"> <li>• A 1% decrease in the reversionary yield would result in the value of investment properties increasing by £0.363 million.</li> <li>• A 1% increase in the reversionary yield would result in the value of investment properties decreasing by £0.284 million.</li> </ul>





## Balance Sheet as at 31 March 2022

31 March 2021 £000		Note	31 March 2022 £000
277,241	Property, Plant & Equipment	22	285,574
5,079	Investment Properties	19	5,035
488	Intangible Assets	20	391
5	Investments in Joint Ventures and Associates	33	5
1,011	Other Long-term Assets (Pensions)	14	30,586
<b>283,824</b>	<b>Long-term Assets</b>		<b>321,591</b>
100,902	Short-term Investments	25	96,126
694	Inventories	26	725
7,690	Short-term Debtors	27	4,809
71,426	Cash and Cash Equivalents	12	79,506
<b>180,712</b>	<b>Current Assets</b>		<b>181,166</b>
(22,384)	Short-term Creditors	28	(19,399)
(36)	Provisions	29	(55)
<b>(22,420)</b>	<b>Current Liabilities</b>		<b>(19,454)</b>
<b>442,116</b>	<b>Net Assets</b>		<b>483,303</b>
165,988	Usable Reserves	8	169,393
276,128	Unusable Reserves	9	313,910
<b>442,116</b>	<b>Total Reserves</b>		<b>483,303</b>

The unaudited accounts were issued on 24 June 2022 and the audited accounts were authorised for issue on 30 September 2022.

**Neil Wylie**

Director of Finance & Corporate Support

XX September 2022

## Cash Flow Statement for the year ended 31 March 2022

2020/21 £000		2021/22 £000
8,684	Net surplus or (deficit) on the provision of services	7,168
18,096	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 10)	21,889
(877)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(491)
25,903	Net cash flows from Operating Activities	28,566
(7,712)	Investing Activities (note 11)	(20,486)
18,191	Net increase or (decrease) in cash and cash equivalents	8,080
53,235	Cash and cash equivalents at the beginning of the reporting period	71,426
71,426	<b>Cash and cash equivalents at the end of the reporting period (note 12)</b>	<b>79,506</b>

## Movement in Reserves Statement

### Current year

	General Fund Balance £000	Insurance Fund £000	Capital Fund £000	Renewal and Repair Fund £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Partnership Reserves £000
<b>Balance at 31 March 2021</b>	<b>87,013</b>	<b>1,219</b>	<b>26,133</b>	<b>1,500</b>	<b>50,123</b>	<b>165,988</b>	<b>276,128</b>	<b>442,116</b>
<b>Movement in reserves during 2021/22</b>								
Total comprehensive income and expenditure	7,168	0	0	0	0	7,168	34,019	41,187
Adjustments to usable reserves permitted by accounting standards	1,247	0	0	0	0	1,247	(1,247)	0
Adjustments between accounting basis and funding basis under regulations (note 3)	4,907	0	40	0	(9,957)	(5,010)	5,010	0
<b>Increase / (decrease) in 2021/22</b>	<b>13,322</b>	<b>0</b>	<b>40</b>	<b>0</b>	<b>(9,957)</b>	<b>3,405</b>	<b>37,782</b>	<b>41,187</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>100,335</b>	<b>1,219</b>	<b>26,173</b>	<b>1,500</b>	<b>40,166</b>	<b>169,393</b>	<b>313,910</b>	<b>483,303</b>

### Comparative information for 2020/21

	General Fund Balance £000	Insurance Fund £000	Capital Fund £000	Renewal and Repair Fund £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Partnership Reserves £000
<b>Balance at 31 March 2020</b>	<b>74,867</b>	<b>1,000</b>	<b>26,047</b>	<b>1,500</b>	<b>57,731</b>	<b>161,145</b>	<b>265,879</b>	<b>427,024</b>
<b>Movement in reserves during 2020/21</b>								
Total comprehensive income and expenditure	8,684	0	0	0	0	8,684	6,408	15,092
Transfers from / (to) statutory reserves	(219)	219	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations (note 3)	3,681	0	86	0	(7,608)	(3,841)	3,841	0
<b>Increase / (decrease) in 2020/21</b>	<b>12,146</b>	<b>219</b>	<b>86</b>	<b>0</b>	<b>(7,608)</b>	<b>4,843</b>	<b>10,249</b>	<b>15,092</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>87,013</b>	<b>1,219</b>	<b>26,133</b>	<b>1,500</b>	<b>50,123</b>	<b>165,988</b>	<b>276,128</b>	<b>442,116</b>

# Notes to the Financial Statements

## 1A. Expenditure and Funding Analysis for the year ended 31 March 2022

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

2020/21			2021/22			
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
3,738	6,109	9,847	Subway operations	1,674	7,611	9,285
15,165	1,866	17,031	Bus operations	14,527	2,005	16,532
1,159	169	1,328	Operations - other	1,047	332	1,379
3,231	329	3,560	Business Support	3,258	720	3,978
519	11,586	12,105	Corporate	2,106	12,362	14,468
12,365	(12,365)	0	Contribution to Subway Fund /Reserves	13,820	(13,820)	0
<b>36,177</b>	<b>7,694</b>	<b>43,871</b>	<b>Cost Of Services</b>	<b>36,432</b>	<b>9,210</b>	<b>45,642</b>
(36,177)	(16,378)	(52,555)	Other Income and Expenditure	(36,432)	(16,378)	(52,810)
<b>0</b>	<b>(8,684)</b>	<b>(8,684)</b>	<b>(Surplus) or Deficit</b>	<b>0</b>	<b>(7,168)</b>	<b>(7,168)</b>
(74,867)			Opening General Fund Balance	(87,013)		
(12,146)			Less (Surplus)/Deficit on General Fund	(13,322)		
<b>(87,013)</b>			<b>Closing General Fund Balance</b>	<b>(100,335)</b>		

**1B. Note to the Expenditure and Funding Analysis Statement (2021/22) –  
Adjustments from General Fund to arrive at the Comprehensive Income and  
Expenditure Statement amounts**

<b>Current Year</b>	<b>Adjustments for Capital Purposes £000</b>	<b>Net change for the Pension Adjustments £000</b>	<b>Other Differences £000</b>	<b>Total Adjustments £000</b>
Subway operations	5,038	2,504	69	7,611
Bus operations	1,017	686	302	2,005
Operations - Other	0	332	0	332
Business Support	0	720	0	720
Corporate	11,501	179	682	12,362
Contribution to Subway Fund	(13,820)	0	0	(13,820)
<b>Cost Of Services</b>	<b>3,736</b>	<b>4,421</b>	<b>1,053</b>	<b>9,210</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(4,384)</b>	<b>23</b>	<b>(12,017)</b>	<b>(16,378)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus on the Provision of Services</b>	<b>(648)</b>	<b>4,444</b>	<b>(10,964)</b>	<b>(7,168)</b>

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

**Comparative Information for 2020/21**

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

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

Income received on a segmental basis is analysed below:

	2020/21 £000	2021/22 £000
<b>Subway operations</b>		
-Ticket Income	(3,977)	(12,847)
-Advertising Income	(63)	(398)
-Miscellaneous Income	(598)	(656)
-Rental Income	(74)	(69)
-COVID Light Rail Support Grant (Scottish Government)	(12,292)	(5,629)
<b>Total Subway Income</b>	<b>(17,004)</b>	<b>(19,599)</b>
<b>Bus operations</b>		
-Bus Departures and Parking	(876)	(1,151)
-Agency Services	(992)	(823)
-Miscellaneous Income	(328)	(890)
-Rental Income	(325)	(302)
-Bus Station Facilities	(33)	(113)
-Advertising	0	(32)
<b>Total Bus Income</b>	<b>(2,554)</b>	<b>(3,311)</b>
<b>Corporate</b>		
-Insurance Claim – Lost Income (April to June 2020)	(1,000)	0
-Interest Received	(877)	(491)
-Agency Services	(1,240)	(1,240)
-Rental Income	(172)	(206)
-Miscellaneous Income	(58)	(118)
<b>Total Corporate Income</b>	<b>(3,347)</b>	<b>(2,055)</b>
<b>Total income analysed on a segmental basis</b>	<b>(22,905)</b>	<b>(24,965)</b>

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

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

## 2. Expenditure and Income Analysed by Nature

2020/21 £000		2021/22 £000
	<b>Expenditure</b>	
22,138	Employee costs	22,072
5,693	Premises costs	5,981
1,456	Supplies and services	1,543
57	Transport and plant	94
17,373	Third party payments	17,887
9,287	Financing costs (including impairments)	11,027
9,749	Grant Fund to Local Authorities and Others	10,939
97	Pension interest (income) / cost and expected return on pension assets	23
<b>65,850</b>	<b>Total Expenditure</b>	<b>69,566</b>
	<b>Income</b>	
(28,389)	Government grants	(15,987)
(35,531)	Other grants, reimbursements & contributions	(35,782)
(9,736)	Customer and client receipts	(24,474)
(878)	Financing and investment income	(491)
<b>(74,534)</b>	<b>Total Income</b>	<b>(76,734)</b>
<b>(8,684)</b>	<b>Surplus on Provision of Services</b>	<b>(7,168)</b>



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

2021/22

	Usable Reserves		
	General Fund Balance £000	Capital Fund £000	Capital Grants Unapplied Account £000
<b>Adjustments to the revenue resources</b>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions costs (transferred from (or to) the Pensions Reserve)	4,444	0	0
Holiday pay (transferred from (or to) the Accumulated Absences Account)	(15)	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	1,016	0	11
<b>Total adjustments to revenue resources</b>	<b>5,445</b>	<b>0</b>	<b>11</b>
<b>Adjustments between revenue and capital resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Fund	(40)	40	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(498)	0	0
<b>Total adjustments between revenue and capital resources</b>	<b>(538)</b>	<b>40</b>	<b>0</b>
<b>Adjustments to capital resources</b>			
Application of capital grants to finance capital Expenditure	0	0	(9,968)
<b>Total adjustments to capital resources</b>	<b>0</b>	<b>0</b>	<b>(9,968)</b>
<b>Total adjustments</b>	<b>4,907</b>	<b>40</b>	<b>(9,957)</b>

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

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

**2020/21 Comparative Information**

**Usable Reserves**

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

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

#### 4. Movement in General Fund Balance

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

	<b>Balance at 1 April 2020 £000</b>	Transfers out 2020/21 £000	Transfers in 2020/21 £000	<b>Balance at 31 March 2021 £000</b>	Transfers out 2021/22 £000	Transfers in 2021/22 £000	<b>Balance at 31 March 2022 £000</b>
<b>General Fund Balance</b>							
Rolling Stock, Signalling and Associated Equipment Fund	35,000	0	10,423	45,423	0	7,820	53,243
Subway Infrastructure Fund	20,000	0	0	20,000	(498)	0	19,502
Guideline Criteria Review Fund	10,000	0	0	10,000	0	0	10,000
Strategic Bus Routes Fund	2,000	0	1,723	3,723	0	1,500	5,223
<b>Earmarked</b>	<b>67,000</b>	<b>0</b>	<b>12,146</b>	<b>79,146</b>	<b>(498)</b>	<b>9,320</b>	<b>87,968</b>
<b>Non-earmarked</b>	<b>7,867</b>	<b>(219)</b>	<b>219</b>	<b>7,867</b>	<b>0</b>	<b>4,500</b>	<b>12,367</b>
<b>Total</b>	<b>74,867</b>	<b>(219)</b>	<b>12,365</b>	<b>87,013</b>	<b>(498)</b>	<b>13,820</b>	<b>100,335</b>

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

An updated Reserves Policy and an annual review of the reserve balances, as part of the budget setting process, was considered and approved by the Partnership at its meeting on 18 March 2022 and can be found at:

[spt.co.uk/media/vpqhlxyv/p180322\\_agenda7.pdf](https://spt.co.uk/media/vpqhlxyv/p180322_agenda7.pdf)

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

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

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

##### **Subway Infrastructure Fund**

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

### **Guideline Criteria Review Fund**

SPT is currently part-way through the review of its Guideline Criteria for Subsidised Local Bus Services and therefore the financial effect of any changes is unknown. In addition, it is likely that the enactment of new powers granted to SPT under the Transport (Scotland) Act 2020 will not be without practical and financial challenges.

### **Strategic Bus Routes Fund**

To be utilised in the event that an unanticipated material change occurs in the market provision or cost of the designated strategic bus routes. The fund would be utilised to cover short-term issues only and not to cover contracted revenue spend year-on-year. The balance equates to approximately 39% of the current subsidised bus services budget.

### **Non-earmarked Balance**

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

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

2020/21 £000		2021/22 £000
(78)	Gains/losses on disposal of non-current assets	(40)
<b>(78)</b>	<b>Total</b>	<b>(40)</b>

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

2020/21 £000		2021/22 £000
97	Pensions interest cost and expected return on pensions assets	23
502	Revaluation of Investment Properties	44
(571)	Net rental income	(577)
(877)	Interest receivable and similar income	(491)
<b>(849)</b>	<b>Total</b>	<b>(1,001)</b>

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

2020/21 £000		2021/22 £000
(35,463)	Funding received as requisition from constituent local authorities	(35,782)
(10,546)	Scottish Government Revenue Grant	(11,599)
(5,551)	Scottish Government Capital Grant	(4,388)
(68)	Other Capital Grant	0
<b>(51,628)</b>	<b>Total</b>	<b>(51,769)</b>

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

**8. Balance Sheet – Usable Reserves**

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

**9. Balance Sheet – Unusable Reserves**

31 March 2021 £000		31 March 2022 £000
65,388	Revaluation Reserve	64,141
209,939	Capital Adjustment Account	219,378
1,011	Pensions Reserve	30,586
(210)	Accumulated Absences Account	(195)
<b>276,128</b>	<b>Total Unusable Reserves</b>	<b>313,910</b>

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

### Revaluation Reserve

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

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

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

<b>2020/21</b> <b>£000</b>		<b>2021/22</b> <b>£000</b>
<b>66,914</b>	<b>Balance at 1 April</b>	<b>65,388</b>
(1,526)	Difference between fair value depreciation and historical cost depreciation	(1,247)
<b>65,388</b>	<b>Balance at 31 March</b>	<b>64,141</b>

### Capital Adjustment Account

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

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

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

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

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

2020/21 £000		2021/22 £000
202,366	<b>Balance at 1 April</b>	<b>209,939</b>
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
(6,448)	Charges for depreciation and impairment of non-current assets	(5,148)
0	Revaluation losses on property, plant and equipment	0
(305)	Amortisation of intangible assets	(223)
(9,749)	Revenue expenditure funded from capital under statute	(10,939)
(8)	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	0
(16,510)		(16,310)
1,526	Adjusting amounts written out of the Revaluation Reserve	0
(14,984)	Net written out amount of the cost of non-current assets consumed in the year	(16,310)
	Capital financing applied in the year:	
0	Use of the Capital Fund to finance new capital expenditure	0
15,368	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	15,327
7,691	Application of grants to capital financing from the Capital Grants Unapplied Account	9,968
0	Capital expenditure charged against the General Fund	498
23,059		25,793
(502)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(44)
<b>209,939</b>	<b>Balance at 31 March</b>	<b>219,378</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. SPT accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed, as SPT makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources SPT has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/21 £000		2021/22 £000
(3,283)	<b>Balance at 1 April</b>	<b>1,011</b>
6,408	Actuarial gains or (losses) on pension assets and liabilities	34,019
(5,852)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(7,866)
3,738	Employer's pensions contributions and direct payments to pensioners payable in the year	3,422
<b>1,011</b>	<b>Balance at 31 March</b>	<b>30,586</b>

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

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year (e.g. annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2020/21 £000		2021/22 £000
(118)	<b>Balance at 1 April</b>	<b>(210)</b>
	0 Settlement or cancellation of accrual made at the end of the preceding year	15
(92)	Amounts accrued at the end of the current year	0
(92)	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	15
<b>(210)</b>	<b>Balance at 31 March</b>	<b>(195)</b>

## 10. Cash Flow Statement – Non Cash Movements

2020/21 £000		2021/22 £000
6,448	Depreciation (note 22)	6,395
	0 Asset impairments (note 9)	0
	0 Revaluation losses on property, plant and equipment	0
502	Revaluation of investment properties (note 9)	44
305	Amortisation of intangible assets (note 20)	223
2,114	(Charges) / credit for retirement benefits (note 9)	4,444
(78)	(Gain) / loss on asset disposal (note 9)	(40)
(171)	Increase / (decrease) in provisions for liabilities and charges	19
9,749	Revenue expenditure funded from capital (note 9)	10,939
	Accruals adjustments:	
(32)	(Increase) / decrease in inventory	(31)
(3,651)	(Increase) / decrease in debtors	2,881
2,910	Increase / (decrease) in creditors	(2,985)
<b>18,096</b>	<b>Total</b>	<b>21,889</b>

## 11. Cash Flow Statement – Investing Activities

2020/21 £000		2021/22 £000
(23,059)	Purchase of property, plant and equipment, investment property, intangible assets and grants	(25,793)
14,384	Purchase of short-term and long-term investments	4,776
86	Proceeds from the sale of property, plant and equipment, investment properties and intangible assets	40
877	Interest received (note 6)	491
<b>(7,712)</b>	<b>Net cash flows from investing activities</b>	<b>(20,486)</b>



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

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

<b>31 March 2021 £000</b>		<b>31 March 2022 £000</b>
16	Cash held by SPT	16
35,683	Current accounts with banks and building societies	33,633
35,727	Short-term deposits with banks and building societies	45,857
<b>71,426</b>	<b>Total cash and cash equivalents</b>	<b>79,506</b>

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

## 13. External Audit Costs

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

<b>2020/21 £000</b>		<b>2021/22 £000</b>
74	Fees payable with regard to external audit services carried out by the appointed auditor for the year	76
0	Fees payable for additional services	0
<b>74</b>	<b>Total</b>	<b>76</b>

## 14. Defined Benefit Pension Schemes

### Participation in pension schemes

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

### Benefits

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

## 14. Defined Benefit Pension Schemes (continued)

### Governance

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

### Principal Risks

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

### Discretionary Post-employment Benefits

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

### Transactions Relating to Post-employment Benefits

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

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

On 7 February 2018, the International Accounting Standards Board (IASB) issued amendments to the IAS19 standard for plan amendments, curtailments and settlements ("special events"). This affects any IAS19 employers with events such as bulk transfers or redundancies over the year. CIPFA have now incorporated this amendment into their guidance such that the amendments are applicable as at 31 March 2022 accounting.

The amendment requires restating the profit and loss items from the date of an event, by remeasuring both the asset and the liabilities using assumptions set at the event date. The impact of applying the amendment would adjust amounts between the Profit and Loss (P&L) and the Other Comprehensive Income (OCI). A triggering significant event has been defined as an event which impacts greater than 5% of an employer's active membership. There have been no events in 2021/22, which breach the 5% of active membership significance level and as such no adjustments have been made to the financial statements.

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

The following transactions have been made in the financial statements in 2021/22 and the prior year 2020/21.

	2020/21 £000	2021/22 £000
<b>Comprehensive Income and Expenditure Statement (CIES)</b>		
Cost of Services:		
Service cost comprising		
• current service cost	5,560	7,709
• past service costs (including curtailments)	195	134
• curtailments and unfunded benefits	0	0
Financing and Investment Income and Expenditure		
• net interest expense	97	23
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,852</b>	<b>7,866</b>
<b>Other Post Employment Benefit Charged to the CIES</b>		
• expected return on scheme assets	(51,347)	(15,556)
• re-measurements	44,939	(18,463)
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>(556)</b>	<b>(26,153)</b>

#### Movement in Reserves Statement

• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	2,114	4,444
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers' contributions payable to scheme	3,738	3,422

#### 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:

	2020/21 £000	2021/22 £000
Present value of scheme liabilities	(274,302)	(262,099)
Fair value of scheme assets	275,313	292,685
<b>Surplus / (Deficit)</b>	<b>1,011</b>	<b>30,586</b>

Due to the positive valuation the surplus on the defined benefit plan is shown under Long-term Assets in the Balance Sheet.

## 14. Defined Benefit Pension Schemes (continued)

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

	2020/21 £000	2021/22 £000
<b>Opening fair value of pension fund assets at 1 April</b>	<b>227,218</b>	<b>275,313</b>
Interest income	5,183	5,471
Re-measurement gains and (losses)		
• Other experiences	(4,561)	0
• The return on plan assets, excluding the amount included in the net interest expense	51,347	15,556
Contributions from employers	3,738	3,422
Contributions from employees into the scheme	1,052	1,019
Benefits paid	(8,664)	(8,096)
<b>Closing balance at 31 March</b>	<b>275,313</b>	<b>292,685</b>

### Reconciliation of Present Value of the Scheme Liabilities

	2020/21 £000	2021/22 £000
<b>Opening balance at 1 April</b>	<b>259,455</b>	<b>274,302</b>
Current service cost	5,560	7,709
Interest cost	5,280	5,494
Contributions by Pension Fund participants	1,052	1,019
Re-measurement (gains) and losses:		
• (Gains) / Losses arising from changes in demographic assumptions	(7,973)	(1,757)
• (Gains) / Losses arising from changes in financial assumptions	50,700	(17,013)
• (Gains) / Losses Other	(2,349)	307
Past service costs (including curtailments)	195	134
Benefits paid	(8,664)	(8,096)
<b>Closing balance at 31 March</b>	<b>274,302</b>	<b>262,099</b>

## 14. Defined Benefit Pension Schemes (continued)

### Analysis of Pension Fund's Assets

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

	2020/21			2021/22		
	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
<b>Equity instruments (by industry type)</b>						
• Consumer	15,852	0	15,852	13,698	13	13,711
• Manufacturing	15,575	130	15,705	12,853	44	12,897
• Energy & utilities	2,828	47	2,875	3,023	23	3,046
• Financial institutions	9,745	0	9,745	8,032	28	8,060
• Health & care	7,562	119	7,681	9,750	31	9,781
• Information technology	12,739	0	12,739	16,996	0	16,996
<b>Sub-total equity</b>	<b>64,301</b>	<b>296</b>	<b>64,597</b>	<b>64,352</b>	<b>139</b>	<b>64,491</b>
UK Property	0	22,306	22,306	0	24,683	24,683
Private equity	0	49,243	49,243	0	57,297	57,297
<b>Other investment funds</b>						
• Equities	2,591	93,701	96,292	1,624	106,753	108,377
• Bonds	0	37,235	37,235	0	29,561	29,561
• Commodities	0	117	117	0	101	101
• Infrastructure	0	278	278	0	257	257
• Other	0	573	573	0	471	471
<b>Sub-total other investment funds</b>	<b>2,591</b>	<b>131,904</b>	<b>134,495</b>	<b>1,624</b>	<b>137,143</b>	<b>138,767</b>
<b>Derivatives</b>						
• Other	50	0	50	0	0	0
<b>Sub-total derivatives</b>	<b>50</b>	<b>0</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash and cash equivalents	4,435	187	4,622	7,348	99	7,447
<b>Total assets</b>	<b>71,377</b>	<b>203,936</b>	<b>275,313</b>	<b>73,324</b>	<b>219,361</b>	<b>292,685</b>

## 14. Defined Benefit Pension Schemes (continued)

### Basis for Estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:

### Local Government Pension Scheme

	2020/21	2021/22
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	1.3%	2.25%
Bonds	1.3%	2.25%
Property	1.3%	2.25%
Cash	1.3%	2.25%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
• Men	19.8	19.6
• Women	22.6	22.4
<b>Longevity at 65 for future pensioners:</b>		
• Men	21.2	21.0
• Women	24.7	24.5
Rate of CPI	2.85%	3.20%
Rate of increase in salaries	3.55%	3.90%
Rate of increase in pensions	2.85%	3.20%
Rate for discounting fund liabilities	2.00%	2.70%
Take-up of option to convert annual pension into retirement lump sum (Pre-April 2009)	50%	50%
Take-up of option to convert annual pension into retirement lump sum (Post-April 2009)	75%	75%

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

## 14. Defined Benefit Pension Schemes (continued)

Change in assumptions at 31 March 2022	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.1% decrease in Real Discount Rate	2%	4,634
1 year increase in the member life expectancy	4%	10,484
0.1% increase in the Salary Increase Rate	0%	515
0.1% increase in the Pension Increase Rate	2%	4,081

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 2022 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 2021, which has resulted in the contribution rates being set at 19.3% for the period 01/04/2021 to 31/03/2024.

The total contributions expected to be made by SPT to Strathclyde Pension Fund in the year to 31 March 2023 is £2.994 million.

The weighted average duration of the defined benefit obligation for Fund members is 18 years (2020/21:18 years).

## 15. Events after the Balance Sheet Date

The accounts were authorised for issue by the Director of Finance & Corporate Support on 30 September 2022. 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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 16. Related Parties

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

### Scottish Government and its agencies

During 2021/22 Transport Scotland, an agency of the Scottish Government, provided SPT with revenue grant funding of £6.279 million (2020/21: £13.006 million) and capital grants totalling £15.327 million (2020/21: £15.300 million). The revenue grant included funding of £5.629 million to support loss of Subway income

## 16. Related Parties (continued)

between April and September of the financial year due to Covid. Grant receipts and invoices outstanding at 31 March 2022 were £0.000 million (2020/21: £2.657 million) and are included in Other Receivables Amounts (note 27 Short-term Debtors).

Grants received but not utilised at 31 March 2022 were £40.166 million (2020/21: £50.124 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 2021/22 is shown in the Remuneration Report.

During 2021/22 the 12 Local Authorities in Strathclyde provided funding totalling £35.782 million (2020/21: £35.463 million) in the form of requisition.

During 2021/22 SPT received revenue income and grants from local authorities totalling £0.668 million (2020/21: £0.959 million).

During 2021/22 SPT provided capital grants totalling £10.017 million (2020/21: £9.749 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 £0.921 million (2020/21: £0.815 million).

There is a balance of £0.663 million (2020/21: £0.495 million) in relation to outstanding invoices and accrued income within Short-term Debtors (note 27). There is also a balance of £9.037 million (2020/21: £8.793 million) within Short-term Creditors (note 28) which primarily relates to outstanding invoices.

### **Strathclyde Concessionary Travel Scheme (SCTS)**

SPT provides SCTS with administrative and overhead support, as well as sharing a number of the same board members. During 2021/22 SPT charged £0.297 million (2020/21: £0.344 million) to SCTS for the provision of these services, and £0.187 million (2020/21: £0.091 million) received in income for Concessionary Travel reimbursements. Charges and income outstanding at 31 March 2022 was £0.311 million (2020/21: £0.120 million), and are included in note 27 Short-term Debtors.

### **Nevis Technologies Limited**

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

During 2021/22 SPT approved payments totalling £0.148 million (2020/21: £0.093 million) to Nevis Technologies Limited in support of smartcard ticketing and payment services. During 2021/22 SPT charged £0.050 million to Nevis Technologies (2020/21: £0.048 million). Payments outstanding at 31 March 2022 were £0.025 million (2020/21: £0.019 million) and are included in Other Payables Amounts (note 28 Short-term Creditors). A balance of £0.050 million (2020/21: £0.096 million) is included in note 27 Short-term Debtors.

### **Allied Vehicles Limited**

Gordon MacLennan the ex-Chief Executive of SPT was also a non-remunerated Director of Allied Vehicles Ltd. During the financial year SPT procured goods and services from Allied Vehicles totalling £0.010 million.



## 17. Agency Activities

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

<b>Total Costs 2020/21 £000</b>		<b>Administration Recharge £000</b>	<b>Direct Service Payments £000</b>	<b>Total Costs 2021/22 £000</b>
28,365	School and Vocational Transport	1,000	31,402	32,402
795	Bus Shelter Maintenance	177	613	790
344	Strathclyde Concessionary Travel Scheme	297	0	297
<b>29,504</b>	<b>Total</b>	<b>1,474</b>	<b>32,015</b>	<b>33,489</b>

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

## 18. Leases

### SPT as Lessee

#### Finance Leases

SPT does not currently have any leases that meet the definition of a finance lease (2020/21: nil).

#### Operating Leases

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

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

<b>2020/21 £000</b>		<b>2021/22 £000</b>
44	Not later than one year	40
81	Later than one year and not later than five years	55
117	Later than five years	103
<b>242</b>	<b>Total</b>	<b>198</b>

## 19. Investment Properties

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

<b>2020/21 £000</b>		<b>2021/22 £000</b>
(571)	Rental income from investment properties	(577)
<b>(571)</b>	<b>Total</b>	<b>(577)</b>

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

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

<b>2020/21 £000</b>		<b>2021/22 £000</b>
<b>5,681</b>	<b>Balance at start of year</b>	<b>5,079</b>
(100)	Additions / (disposals)	0
(502)	Net gains/(losses) from fair value adjustments	(44)
<b>5,079</b>	<b>Balance at end of year</b>	<b>5,035</b>

## 20. Intangible Assets

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

2020/21 £000		2021/22 £000
	<b>Balance at start of year</b>	
2,401	• Gross carrying amounts	2,564
(1,975)	• Accumulated amortisation	(2,076)
<b>426</b>	<b>Net carrying amount at start of year</b>	<b>488</b>
254	Additions: purchases	26
(204)	Disposals cost	(65)
113	Transfers cost	100
(305)	Amortisation for the period	(223)
204	Disposals amortisation	65
<b>488</b>	<b>Net carrying amount at end of year</b>	<b>391</b>
	<b>Comprising:</b>	
2,564	• Gross carrying amounts	2,625
(2,076)	• Accumulated amortisation	(2,234)
<b>488</b>		<b>391</b>

## 21. Impairment Losses

As a result of the Subway Modernisation programme, an annual review has been instigated of all Subway assets to determine if any would be rendered obsolete ahead of their scheduled useful life by the planned investment in new assets. This review also incorporates non-Subway assets. However, in 2021/22, no impairment losses have been identified (2020/21: £0 million).

## 22. Property, Plant and Equipment

### Movements in 2021/22

	Land & Buildings £000	Plant & Machinery £000	Rolling Stock and Vehicles £000	Infra-structure Assets £000	Sundry Assets £000	Assets Under Construction £000	Investment Properties £000	Investment Properties Held for Sale £000	Total £000
<b>Cost or Valuation</b>									
At 1 April 2021	130,038	10,256	33,763	86,650	6,698	102,747	5,079	0	375,231
Additions	167	58	0	3,761	44	10,798	0	0	14,828
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	(44)	0	(44)
Derecognition – disposals	0	(1,119)	(297)	0	(104)	0	0	0	(1,520)
Transfers	82	1,165	19	136	0	(1,502)	0	0	(100)
<b>At 31 March 2022</b>	<b>130,287</b>	<b>10,360</b>	<b>33,485</b>	<b>90,547</b>	<b>6,638</b>	<b>112,043</b>	<b>5,035</b>	<b>0</b>	<b>388,395</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2021	3,609	4,616	32,554	47,902	4,230	0	0	0	92,911
Depreciation charge	3,500	282	322	1,739	552	0	0	0	6,395
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – disposals	0	(1,119)	(297)	0	(104)	0	0	0	(1,520)
<b>At 31 March 2022</b>	<b>7,109</b>	<b>3,779</b>	<b>32,579</b>	<b>49,641</b>	<b>4,678</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>97,786</b>
<b>Net Book Value</b>									
<b>At 31 March 2022</b>	<b>123,178</b>	<b>6,581</b>	<b>906</b>	<b>40,906</b>	<b>1,960</b>	<b>112,043</b>	<b>5,035</b>	<b>0</b>	<b>290,609</b>
<b>At 31 March 2021</b>	<b>126,429</b>	<b>5,640</b>	<b>1,209</b>	<b>38,748</b>	<b>2,468</b>	<b>102,747</b>	<b>5,079</b>	<b>0</b>	<b>282,320</b>

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

### Comparative Movements in 2020/21

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

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

### Capital Commitments

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

<b>Service</b>	<b>Outstanding Commitments as at 31 March 2022 £</b>	<b>Contract Completion Dates</b>
Subway Modernisation	76,503,467	Various
Subway Infrastructure Projects	12,535,121	Various
Bus Operations	2,387,978	Various
Subway Operations	374,757	Various
Other	95,966	Various
<b>Total</b>	<b>26,060</b>	
	<b>91,923,349</b>	

### Valuations

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

- In Use (Operational) Assets were valued at 31 March 2020; and
- Investment Assets were valued at 31 March 2022.

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

The basis of value applied was as follows:

- a) In Use (Operational) Assets
  - Valued to Current Value in existing use having regard to the service potential that an asset provides in support of the entity's service delivery.
  - The measurement approaches used to arrive at the Current Value of In Use Assets are, for non-specialised operational assets, Existing Use Value (EUV) and for specialised operational assets Depreciated Replacement Cost (DRC).
  - The assumption has been made that the properties valued will continue to be held by SPT for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.
- b) Investment Assets
  - Valued to Fair Value as defined by IFRS 13, which equates to being the Market Value of the legal interest held.

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

### 23. Capital Expenditure and Capital Financing

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

2020/21 £000		2021/22 £000
<b>0</b>	<b>Opening Capital Financing Requirement</b>	<b>0</b>
	<b>Capital investment:</b>	
13,056	Property, Plant and Equipment	14,828
254	Intangible Assets	26
9,749	Revenue expenditure funded from capital under statute	10,939
	<b>Sources of finance:</b>	
0	Capital receipts	0
(23,059)	Government grants and other contributions	(25,295)
	Sums set aside from revenue:	
0	Direct revenue contributions	(498)
<b>0</b>	<b>Closing Capital Financing Requirement</b>	<b>0</b>

### 24. Heritage Assets

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

### 25. Short-term Investments

31 March 2021 £000		31 March 2022 £000
100,902	Deposits with banks and building societies	96,126
<b>100,902</b>	<b>Total</b>	<b>96,126</b>

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

### 26. Inventories

2020/21 £000		2021/22 £000
662	Balance at start of year	694
986	Purchases	874
(954)	Recognised as an expense in the year	(843)
<b>694</b>	<b>Balance at end of year</b>	<b>725</b>

Inventories include both bus infrastructure and Subway stock holdings.

## 27. Short-term Debtors

<b>31 March 2021 £000</b>		<b>31 March 2022 £000</b>
672	Trade Receivables	1,351
5,591	Prepayments and Accrued Income	2,522
1,427	Other receivables amounts	936
<b>7,690</b>	<b>Total</b>	<b>4,809</b>

## 28. Short-term Creditors

<b>31 March 2021 £000</b>		<b>31 March 2022 £000</b>
6,307	Trade Payables	3,756
12,226	Accruals and Prepaid Income	10,498
3,851	Other payables amounts	5,145
<b>22,384</b>	<b>Total</b>	<b>19,399</b>

## 29. Provisions

	<b>Injury and Damage Compensation Claims £000</b>	<b>Total £000</b>
<b>Balance at 1 April 2021</b>	<b>36</b>	<b>36</b>
Additional provisions made in 2021/22	23	23
Amounts used in 2021/22	0	0
Unused amounts reversed in 2021/22	(4)	(4)
<b>Balance at 31 March 2022</b>	<b>55</b>	<b>55</b>

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

## 30. Contingent Liabilities

At 31 March 2022 SPT did not have any contingent liabilities (2020/21: nil).

### 31. Financial Instruments

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

#### Financial Assets

	Non-Current				Current		Total
	Investments in Joint Ventures and Associates		Cash and Investments		Debtors		
	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	
	£000	£000	£000	£000	£000	£000	£000
Amortised Cost	5	5	172,328	175,632	7,690	4,809	180,446
<b>Total</b>	<b>5</b>	<b>5</b>	<b>172,328</b>	<b>175,632</b>	<b>7,690</b>	<b>4,809</b>	<b>180,446</b>

#### Financial Liabilities

	Non-Current		Current		
	Creditors		Creditors		Total
	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2022
	£000	£000	£000	£000	£000
Amortised Cost	0	0	22,384	19,399	19,399
<b>Total</b>	<b>0</b>	<b>0</b>	<b>22,384</b>	<b>19,399</b>	<b>19,399</b>

#### Financial Instruments Gains / Losses / Expenses charged during 2021/22 (at amortised cost)

The gain incurred by SPT in 2021/22 was an interest gain of £0.491 million (2020/21: £0.877 million). There was no expense as SPT is debt free at present.

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

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

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

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

#### Credit Risk

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

The risk is minimised through the Annual Investment Strategy, which is available on SPT's website at: [spt.co.uk/media/lr2iuhl2/p180322\\_agenda9.pdf](https://spt.co.uk/media/lr2iuhl2/p180322_agenda9.pdf)



## 32. 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 2021 £000		Amount as at 31 March 2022 £000	Historical Experience of Non-payment Adjusted for Market Conditions %	Estimated Maximum Exposure to Default and Un- collectability £000
172,715	Deposits with banks and other financial institutions	178,647	0	0
672	Customers	1,351	0	0
<b>173,387</b>	<b>Total</b>	<b>179,998</b>		<b>0</b>

### Liquidity Risk

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

### Market Risk

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

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

According to these investment strategies, as at 31 March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2021 £000		31 March 2022 £000
	<b>Estimated Financial Effect</b>	
(1,727)	Increase in interest receivable on variable rate investments	(1,784)
<b>(1,727)</b>	<b>Net theoretical impact on I&amp;E Account</b>	<b>(1,784)</b>

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

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

### 33. Interests in companies and other entities

During 2011/12 SPT acquired 49% of the ordinary shares in Nevis Technologies Limited, a company registered in Scotland, at a cost of £4,999. Nevis Technologies Limited is a joint venture between SPT and Ecebs Limited for the provision of a smartcard ticketing and payment service. This interest is recorded as a long-term investment at cost. Details of the transactions between SPT and Nevis Technologies can be found in note 16 Related Parties on page 46.

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

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

Total Remuneration 2020/21 £		Salary, Fees & Allowances £	Total Remuneration 2021/22 £
153,527	Gordon MacLennan: Chief Executive (to 20/08/2021)	79,488	79,488
130,753	Valerie Davidson: Assistant Chief Executive (to 18/12/2021) / Chief Executive (from 19/12/2021)	144,881	144,881
0	Neil Wylie: Director of Finance & Corporate Support *	106,572	106,572
0	Antony Smith: Director of Subway *	106,572	106,572
<b>284,280</b>	<b>Total</b>	<b>437,513</b>	<b>437,513</b>

\* There are no comparative figures for the previous year as they were not deemed senior employees for Remuneration Report purposes.

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 period to which the Report relates, whether solely or collectively with other persons. Following the retirement of the previous Chief Executive, Gordon MacLennan, Valerie Davidson, who was previously the Assistant Chief Executive took up the roll as Chief Executive. Following the appointment, a review of the senior team was undertaken with the Director of Finance & Corporate Support and Director of Subway as Chief Officers now being included as senior employees for the Remuneration report purposes. The full year remuneration for the Director of Finance & Corporate Support and Director of Subway have been included for completeness.

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. These arrangements were approved by the Partnership on 24 March 2006 and reaffirmed by the Recruitment Committee on 22 October 2021.

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

Total Remuneration 2020/21 £		Salary, Fees & Allowances £	Total Remuneration 2021/22 £
22,077	Dr Martin Bartos, Chair	23,091	23,091
12,111	Alan Moir, Vice Chair*	12,667	12,667
9,887	David Wilson, Vice Chair*	10,340	10,340
<b>44,075</b>	<b>Total</b>	<b>46,098</b>	<b>46,098</b>

\* Vice chair remuneration is set at 75% of the Chair's remuneration, inclusive of any sum paid to them as a councillor, which can vary dependent on whether they hold any remunerated council office.

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. The Partnership again approved the remuneration principle and levels on 1 June 2017.

### Remuneration paid to Councillors

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

<b>2020/21</b> <b>£000</b>		<b>2021/22</b> <b>£000</b>
0	Salaries	0
44	Allowances	46
1	Expenses	0
<b>45</b>	<b>Total</b>	<b>46</b>

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

The pension entitlements of senior employees for the year to 31 March 2022 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 2021 £	Year to 31 March 2022 £		Year to 31 March 2021 £	Year to 31 March 2022 £
Gordon Maclennan: Chief Executive to 20/08/2021 (1)	29,631	11,726	Pension	38,862	0
			Lump Sum	14,207	0
Valerie Davidson: Assistant Chief Executive (to 18/12/2021) / Chief Executive (from 19/12/2021)	25,235	27,962	Pension	64,340	76,077
			Lump Sum	105,955	125,054
Neil Wylie: Director of Finance & Corporate Support (2)	0	20,568	Pension	0	50,457
			Lump Sum	0	76,773
Antony Smith: Director of Subway (2)	0	20,568	Pension	0	5,851
			Lump Sum	0	0

(1) The pension figures shown relate to the benefits that the person has accrued from their current appointment only

(2) There are no comparative figures for the previous year as they were not deemed senior employees for Remuneration Report purposes.

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.

	<b>Contribution rate 2021/22</b>	<b>Contribution rate 2020/21</b>
The tier rates for 2021-22 have stayed the same as they were for 2020-21. Tiers are as follows: Whole time pay		
On earnings up to and including £22,300	5.5%	
On earnings above £22,301 and up to £27,300	7.25%	
On earnings above £27,301 and up to £37,400	8.5%	
On earnings above £37,401 and up to £49,900	9.5%	
On earnings of £49,901 and above	12%	
On earnings up to and including £22,200		5.5%
On earnings above £22,001 and up to £27,100		7.25%
On earnings above £27,101 and up to £37,200		8.5%
On earnings above £37,201 and up to £49,600		9.5%
On earnings of £49,601 and above		12%

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

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

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

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

<b>Remuneration band</b>	<b>2020/21 Number of employees</b>	<b>2021/22 Number of employees</b>
£50,000 - £54,999	22 (1)	25
£55,000 - £59,999	4	7
£60,000 - £64,999	3	5
£65,000 - £69,999	10	5
£70,000 - £74,999	3	5
£75,000 - £79,999	5	7
£80,000 - £84,999	3	1
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	2	2
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	1	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	1
£145,000 - £149,999	0	0
£150,000 - £154,999	1	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 (including pension costs borne by the organisation) are set out in the tables below:

Exit package cost band	2020/21 Number of compulsory redundancies	2020/21 Number of other departures	2021/22 Number of compulsory redundancies	2021/22 Number of other departures
£0 - £20,000	1	0	0	0
£20,001 - £40,000	0	1	0	0
£40,001 - £60,000	0	1	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	1	0	1	0
£150,001 - £200,000	0	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>0</b>

Exit package cost band	2020/21 Total number of exit packages by cost band	2020/21 Total cost of exit packages £000	2021/22 Total number of exit packages by cost band	2021/22 Total cost of exit packages £000
£0 - £20,000	1	15	0	0
£20,001 - £40,000	1	20	0	0
£40,001 - £60,000	1	40	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	1	135	1	148
£150,001 - £200,000	0	0	0	0
<b>Total</b>	<b>4</b>	<b>210</b>	<b>1</b>	<b>148</b>

## Facility Time

The tables below fulfil SPT's publication requirements under The Trade Union (Facility Time Publication Requirements) Regulations 2017 and covers the financial year 2021/22.

**Table 1 - Relevant union officials**

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

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

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

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

Percentage of time	Number of employees
0%	2
1% - 50%	13
21% - 99%	0
100%	0

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

Description	Figures
Total cost of facility time	£5,516
Total pay bill	£20,689,321
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	£0.00
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**Stephen Dornan**

Chair

XX September 2022

**Valerie Davidson**

Chief Executive

XX September 2022