



Annual Accounts 2019/20

Committee Audit and Standards

Date of meeting 28 August 2020

Date of report 10 August 2020

Report by Assistant Chief Executive

1. Object of report

To provide the Committee with the audited annual accounts for financial year ending 31 March 2020 for Strathclyde Partnership for Transport (SPT) and Strathclyde Concessionary Travel Scheme Joint Committee (SCTSJC) for final scrutiny prior to their submission to the Partnership and SCTSJC for approval on 18 September 2020.

2. Background

The Committee considered the unaudited accounts of both SPT and SCTSJC for the financial year 2019/20 at its meeting on 12 June 2020, prior to these being formally submitted to the external auditor, Scott Moncrieff.

The annual accounts of both bodies are prepared in line with proper accounting practice and are required to be audited by 30 September 2020. SCTSJC agreed previously that, as common systems were utilised, it was appropriate that SPT's committees would scrutinise the annual accounts on its behalf, and these would subsequently be submitted to the next available Joint Committee for noting. For 2019/20 the SCTSJC annual accounts will go to the SCTSJC for approval on 18 September 2020.

3. Outline of proposals

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

There have been no significant changes to the accounts of either SPT or SCTSJC since they went before the committee on 12 June 2020. One minor item to note is that a sensitivity analysis in relation to SPT's property valuations has now been included within Accounting Policy 23: Assumptions about the future and other sources of estimation uncertainty.

Scott Moncrieff have expressed an opinion that the financial statements represent a true and fair view of the Partnership's financial affairs, and similarly for the SCTSJC. However, it should be noted that the auditors have inserted an emphasis of matter paragraph into the audit opinion of SPT. The emphasis of matter is in relation to the COVID-19 impact on property valuations, but importantly doesn't change their overall opinion of the accounts.

4. Committee action

The Committee is asked to note the annual accounts for SPT and SCTSJC for the financial year 2019/20 and, if appropriate, agree that these should be submitted to the Partnership and SCTSJC respectively for approval on 18 September 2020.

5. Consequences

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

Name Valerie Davidson

Title **Assistant Chief Executive**

Name Gordon MacLennan

Title **Chief Executive**

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



Strathclyde Partnership for Transport
Annual Accounts
for the year ended 31 March 2020



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Strathclyde Partnership for Transport Annual Accounts for the year ended 31 March 2020

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Members of Strathclyde Partnership for Transport

Members of the Partnership as at 31 March 2020

Member

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

Representing

Argyll & Bute Council
East Ayrshire Council
East Dunbartonshire Council
East Renfrewshire Council
Glasgow City Council
Glasgow City Council
Glasgow City Council
Glasgow City Council
Glasgow City Council
Glasgow City Council
Inverclyde Council
North Ayrshire Council
North Lanarkshire Council
North Lanarkshire Council
North Lanarkshire Council
North Lanarkshire Council
Renfrewshire Council
South Ayrshire Council
South Lanarkshire Council
South Lanarkshire Council
South Lanarkshire Council
West Dunbartonshire Council
Appointed Member
Appointed Member
Appointed Member
Appointed Member
Appointed Member
Appointed Member
Appointed Member
Appointed Member

The Partnership consists of 20 Elected Members representing the 12 constituent unitary authorities in the west of Scotland and between 7 and 9 Appointed Members. There are currently 8 Appointed Members. The Partnership met on 4 occasions during 2019/20.

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

Secretary / Treasurer

Valerie Davidson
Assistant Chief Executive
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Address for Correspondence

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Management Commentary

Introduction

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

About Strathclyde Partnership for Transport

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

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

Since the local elections in May 2017, the Partnership is chaired by Councillor Dr Martin Bartos along with Vice Chairs Councillor Alan Moir and Councillor David Wilson. A full list of SPT's current members can be found at www.spt.co.uk/corporate/about/our-team/members/. The Partnership's policies and decisions are implemented by SPT staff under the strategic direction of Chief Executive, Gordon MacLennan and Assistant Chief Executive Valerie Davidson, supported by other senior management.

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

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

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

We continue with modernisation of the Subway which will transform the network and enhance our customers' travel experience. 2019/20 saw work continue on the delivery of the contracts for the manufacture and delivery of new rolling stock, signalling and control systems, control room and associated equipment. In addition, work continued to ensure the integrity of subway tunnels and infrastructure and the year saw the completion of the final station refurbishments at Kinning Park and West Street.

SPT's Subway continues to operate its Smartcard ticketing system, with to date more than 235,000 Smartcards issued. On behalf of operators, SPT is also responsible for the operation and administration of the region's ZoneCard – an integrated multi-modal ticketing scheme supporting an estimated 10 million journeys per annum – and on behalf of the 12 councils, the Strathclyde Concessionary Travel Scheme which provides discounted travel for those who are eligible on rail, subway and ferry.

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

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

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

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

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

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

Our Priorities

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

- **Attractive, seamless, reliable travel**

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

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

- **Improved connectivity**

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

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

- **Access for all**

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

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

- **Reduced emissions**

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

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

- **Improved service delivery**

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

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

Performance Reporting

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

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

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

spt.co.uk/corporate/about/annualreport

Treasury Management

SPT has adopted in full the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2017)', including the creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of SPT's treasury management activities. SPT publishes an annual Treasury Management Strategy for the year ahead and annual Treasury Management Report for the year past, including a commentary on compliance. The 2019/20 Treasury Management Strategy can be found at:

spt.co.uk/documents/latest/SPTP080319_Agenda7.pdf

Management of Risk

The main financial and operational risks to SPT are included within the corporate risk register. This includes identification of clear mitigating actions and risk owners. The major financial risks at this stage arise from the continuing uncertainty over the impact of the COVID-19 pandemic. Risks are reviewed regularly and reported to each Audit & Standards Committee for scrutiny and can be found at:

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

Look Ahead

COVID-19 Pandemic

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

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

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

The change in operations following the introduction of a national 'lock down' on 23 March 2020 has had a significant impact on SPT's income. Operational income in the first quarter has reduced by c. £1.5 million per month. Public transport across the UK has received financial support during the pandemic in recognition of its vital role in maintaining connectivity at this time. The Scottish Government has announced support to SPT of up to £5m covering the period of July 2020 to September 2020, on a grant based approach to cover lost Subway income only. No support from Scottish Government for the period of April 2020 to June 2020 for any income streams is forthcoming, and as a result an immediate deficit position on that three month period of approximately £4.5m has been created. SPT remains in dialogue with Transport Scotland with regards to obtaining similar support for the remainder of the financial year 2020/21. SPT has sufficient cash available to ensure that the reduced income will not create any cash flow or borrowing issues. In addition, reserves have been created in 2019/20 which would be available to support SPT's position in the short term. Any longer term impact, unknown at this point, will be dependent on the duration of the pandemic response and the measures required to transition to full services.

Subway modernisation

The roll-out of the £288.7 million Subway modernisation programme continues with the installation of a new wheel lathe and train wash in the year and the planned redevelopment of the Operational Depot in advance of the continued work on design and build of rolling stock, signalling and associated systems.

Delivery of the first three rolling stock units to the manufacturer's site in Glasgow occurred in 2019/20, this will be followed by an extensive period of onsite testing in 2020/21. Work also continues on the development of a new operating model reflecting the new technology and operating practices as well as changing customer expectations.

Regional Transport Strategy

SPT is developing a new RTS for Strathclyde. The RTS will set out a new long-term vision and strategy for an improved transport system to underpin a more sustainable and growing economy; enable a healthier, more inclusive and fairer society; and reduce the impact of transport on the environment. The new RTS is being developed through an objective-led process in line with Scottish Transport Appraisal Guidance, drawing upon a wide range of evidence and experiences to achieve a shared approach to delivering our transport future.

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

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

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

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

Smart and integrated ticketing

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

Preparation of the Annual Accounts

The annual accounts demonstrate SPT's sound stewardship of the public funds it controls and manages. The annual accounts have been prepared in accordance with *the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20* which is based upon International Financial Reporting Standards (IFRS). Therefore, the Code, which remains the authoritative accounting standard for local authorities (and related bodies) across the UK, is based upon internationally common accounting practices.

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

spt.co.uk/documents/latest/SP070220_Agenda6.pdf

spt.co.uk/corporate/wp-content/uploads/2012/05/sptp060320_minute.pdf

Pages 19 to 30 of the annual accounts set out the accounting policies adopted by SPT in the preparation of the annual accounts to ensure that the annual accounts give a 'true and fair view' of SPT's financial position.

Financial Review

The Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. The current economic environment continues to put pressure on various elements of funding and service costs. However, efficiency plans implemented over the last five years, and again in 2019/20 ensured that SPT services were delivered within budget and available funding. The COVID-19 pandemic did not have a material impact on SPT's finances in 2019/20 however as noted in the 'Look Ahead' the longer term impact is unknown at this stage.

SPT's net revenue budget was set at £36.500 million, of which £35.463 million was financed by requisition from the 12 local authority partners in the SPT area and £1.037 million was financed by Scottish Government direct grants. Requisition and Scottish Government grant was received as budgeted for and no draw on reserves was required within the year.

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

Balance Sheet

SPT's balance sheet is shown on page 32 of the annual accounts and provides details of SPT's assets and liabilities as at 31 March 2020. SPT continues to have significant balances under Short-term Investments and Cash and Cash Equivalents. The current balance for Short-term Investments is £115.286 million (2018/19: £119.217 million) and for Cash and Cash Equivalents the balance is £53.235 million (2018/19: £50,786 million). The balances are so significant predominantly due to funds being set aside within Reserves and the Capital Grants Unapplied Account to fund the Subway Modernisation. It is anticipated that these reserves will reduce in the short term due to the financial impact of the COVID-19 Pandemic. However, the longer term impact remains unknown at this stage.

Cash Flow Statement

The Cash Flow Statement on page 33 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 34 of the annual accounts shows the movement in revenue and capital reserves held by SPT as at 31 March 2020. The major movements in reserves in the year are as previously noted due to the reallocation of 'Receipts in Advance'. In addition: an increase in the Capital Fund of £0.064 million; a decrease in the Capital Grants Unapplied Account of £13.257 million; an increase in the Capital Adjustment Account of £15.207 million; an increase in the Revaluation Reserve of £11.790 million; and an increase in the Pension Reserve of £14.627 million.

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

Capital Expenditure

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

Details of capital expenditure are provided in note 23 (page 63 of the annual accounts). Total expenditure in support of the programme amounted to £36.358 million (2018/19: £58.852 million). The programme was funded by: £23.1 million Scottish Government general capital grant; £13.312 million Scottish Government specific capital grant in support of Subway Modernisation; and minus £0.054 million other grants and contributions.

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

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

Valuation of Non-current Assets

In 2019/20 some properties were revalued in accordance with the Code, resulting in an increase of £13.074 million to the Revaluation Reserve (see note 9, Balance Sheet - Unusable Reserves) and revaluation losses of £2.695 million charged to the Comprehensive Income and Expenditure Statement (CIES). As noted in Accounting Policies - Note 22, COVID-19 has the potential to create market uncertainty around property valuations. However, it was ascertained by the valuer that the market uncertainty predominantly impacts on the valuation of SPT's investment property, which account for under 5% of SPT's total property assets. Although the valuers report was reported on the basis of 'material valuation uncertainty' it has been deemed that the impact of this uncertainty is not material in relation to the valuations within these accounts.

As a result of the Subway Modernisation programme, an annual review has been instigated of all Subway assets to determine if any would be rendered obsolete ahead of their scheduled useful life by the planned investment in new assets. This review also incorporates non-subway assets. However, in 2019/20, no impairment losses have been identified and charged to the CIES in respect of Subway assets and the Bus Operations fleet.

Pension Assets and Liabilities

The common position for employers participating in the Strathclyde Pension Fund is that the International Accounting Standard 19 (IAS19), 'Retirement Benefits' calculation (page 50 of the annual accounts) is based on a snapshot valuation as at 31 March 2020, which shows a deficit of £4.463 million (£19.090 million deficit, 2018/19). The reduction in deficit predominantly relates to a change in the financial assumptions used in the actuarial valuation with the assumed pension rate, salary increase rate and discount rate all reducing.

Membership of the Partnership

Details of the Members of the Partnership at 31 March 2020 are shown on page 4 of the annual accounts.

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

Martin Bartos
Chair

18 September 2020

Gordon MacIennan
Chief Executive

18 September 2020

Valerie Davidson
Assistant Chief Executive

18 September 2020

Statement of Responsibilities

The Partnership's responsibilities

The Partnership is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Partnership, that officer is the Assistant Chief Executive;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Ensure the Annual Accounts are prepared in accordance with legislation (the Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government Scotland Act 2003); and
- Approve the Annual Accounts for signature.

The Assistant Chief Executive's responsibilities

The Assistant Chief Executive is responsible for the preparation of the Partnership's statement of accounts in accordance with proper practice as set out in the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code of Practice").

In preparing this statement of accounts, the Assistant Chief Executive has:

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

I confirm that these Annual Accounts have been approved for signature by the Partnership at its meeting on 18 September 2020.

I certify that the financial statements give a true and fair view of the financial position of SPT at the reporting date and the transactions of SPT for the year ended 31 March 2020.

Martin Bartos
Chair

18 September 2020

Valerie Davidson
Assistant Chief Executive

18 September 2020

Annual Governance Statement and Statement of Internal Financial Control

Scope of the Governance Framework

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

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

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

The Purpose of the Governance Framework

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

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

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

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

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

The Governance Framework

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

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

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

These arrangements are supplemented by HR policy and guidance. Specifically during 2019/2020, the following documents were reviewed:

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

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

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

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

Principle B: Ensuring openness and comprehensive stakeholder engagement.

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

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

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

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

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

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

Meetings of the Partnership and its committees are open to the public, and agendas, papers and minutes are published on our website in accordance with the Publication scheme.

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

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

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

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

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

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

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

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

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

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

The SPT strategy group and senior management receive advice and guidance from officer led groups responsible for the consideration of, for example, environmental sustainability, Digital transformation, and health and safety to drive and direct the decision making process. This advice is supplemented by external support provided by specialist professionals and services, where appropriate. During 2019/2020, this included the following documents:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Monitoring and Review of Governance Arrangements

SPT's governance arrangements are formally monitored via:

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

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

Statutory Role

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

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

System of Internal Financial Control

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

This statement applies to the 2019/2020 annual accounts for SPT. We acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned.

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

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

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

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

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

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

The effectiveness of internal financial controls is informed by officers throughout SPT and the Audit and Standards committee (as the scrutiny committee) and by the work of internal and external audit. It is SPT's view that the systems for internal control were effective during 2019/2020 with no identified material weaknesses, and will be improved through implementation of the recommended actions from internal and external audit reports, and continuous corporate business planning.

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

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

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

Governance arrangements under Coronavirus (Covid-19) pandemic

On 23 March 2020, the UK government imposed a national lockdown requiring everyone to stay-at-home apart for limited reasons with social distancing measures introduced.

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

Since this date, SPT business has continued to be conducted in line with Partnership approved procedures and standing orders, scheme of delegated functions and financial regulations.

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

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

Martin Bartos
Chair

18 September 2020

Gordon MacLennan
Chief Executive

18 September 2020

Accounting Policies

General Principles

The annual accounts for the year ended 31 March 2020 have been compiled on the basis of recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). The Code is based on International Financial Reporting Standards (IFRS) with interpretation appropriate to the public sector. The statements are designed to give a 'true and fair view' of the financial performance and position of SPT for 2019/20.

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

The accounting convention adopted in the annual accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1. Basis of preparation

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

• Revenue income and debtors

All transactions relating to the period to 31 March 2020 have been matched and accounted for in the period to which they relate. Government grants and other contributions are accounted for on an accruals basis and are recognised as income when the conditions of entitlement have been satisfied and there is reasonable assurance that the monies will be received.

• Revenue from contracts with service recipients

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

• Revenue expenditure and creditors

Sundry creditors are accrued on the basis of payments made following 31 March 2020 relating to goods or services received in the year together with specific accruals in respect of further material items.

• Capital transactions

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

2. Leases and Lease Type Arrangements

Finance Leases

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

2. Leases and Lease Type Arrangements (continued)

Operating Leases

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

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

3. Employee Benefits

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

4. Termination Benefits

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

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

5. Retirement Benefits

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

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

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

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

Service cost comprising:

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

Remeasurements comprising:

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

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

Further details of Pension Costs can be found in note 14 on pages 50 to 55.

6. Stocks for repair and maintenance

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

7. Allocation of overheads

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

8. Debt redemption, interest charges and debt management expenses

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

9. Investments

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

10. Cash and Cash Equivalents

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

11. Provisions and Contingent Liabilities

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

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

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

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

12. Value Added Tax (VAT)

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

13. Usable and Unusable Reserves

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

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

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

14. Capital Grant

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

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

15. Intangible assets

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

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

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

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

16. Property, Plant and Equipment

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

Recognition

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

16 Property, Plant and Equipment (continued)

Measurement

Assets are initially measured at cost, comprising:

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

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

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

- rolling stock, infrastructure, plant and machinery and sundry assets - depreciated historical cost;
- land and buildings - depreciated replacement cost or existing useful life; and
- all other assets - fair value, existing use value (EUV).

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Land and buildings were revalued by SPT's valuer as at 31 March 2020 and will be revalued in accordance with the valuer's 5-year programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

Impairment

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

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

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

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

16 Property, Plant and Equipment (continued)

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

16. Property, Plant and Equipment (continued)

Depreciation

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

Depreciation is calculated on the following basis:

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

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

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

Investment properties

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

17. Related party transactions

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

18. Financial instruments

Financial Liabilities

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

19. Revenue Expenditure Funded from Capital under Statute

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

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

20. Heritage Assets

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

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

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

21. Accounting Standards Issued Not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019/20 Code:

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

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

22 Critical judgements made in applying accounting policies

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

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

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

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

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

Further clarification was sought from the valuer over the potential effect of market uncertainty on the valuations provided. It was ascertained that the market uncertainty predominantly impacts on the valuation of SPT’s investment property, which account for under 5% of SPT’s total property assets. Sensitivity analysis in relation to investment properties is detailed in accounting policy 22, 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if Results differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied.	<p>The sensitivities regarding the principal assumptions used by the consulting actuaries to measure the scheme liabilities are set out below:</p> <ul style="list-style-type: none"> • A 0.5% decrease in the real discount rate would result in a 9% increase (£21.135 million) in the employer's obligation. • A 0.5% increase in the salary increase rate would result in a 1% increase (£3.434 million) in the employer's obligation. • A 0.5% increase in the pension increase rate would result in a 8% increase (£17.391 million) in the employer's obligation.
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. Due to the current COVID-19 pandemic the valuers report contains a 'material uncertainty' clause as described in accounting policy 22, Critical judgements made in applying accounting policies.	<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"> • A 1% decrease in the reversionary yield would result in the value of investment properties increasing by £0.500 million. • A 1% increase in the reversionary yield would result in the value of investment properties decreasing by £0.422 million.

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

2018/19			2019/20			
Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000		Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000
28,933	(21,222)	7,711	Subway operations	28,613	(21,794)	6,819
22,027	(3,014)	19,013	Bus operations	20,875	(2,615)	18,260
2,456	0	2,456	Operations - Other	2,024	0	2,024
3,817	0	3,817	Business Support	4,352	(266)	4,086
16,361	(1,373)	14,988	Corporate	19,619	(1,289)	18,330
73,594	(25,609)	47,985	Cost Of Services	75,483	(25,964)	49,519
		0	Other Operating Expenditure (Note 5)			268
		(1,920)	Financing and Investment Income and Expenditure (note 6)			(1,732)
		(58,338)	Taxation and Non-Specific Grant Income (note 7)			(110,909)
		(12,273)	Surplus on Provision of Services			(62,854)
		(284)	Revaluation of non-current assets (note 9, Revaluation Reserve)			(13,074)
		10,012	Actuarial (gains) / losses on pension assets / liabilities (note 9, Pensions Reserve)			(18,688)
		0	Other Comprehensive Income and Expenditure			0
		(2,545)	Total Comprehensive Income and Expenditure			(94,616)

Balance Sheet as at 31 March 2020

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

The unaudited accounts were issued on 12 June 2020 and the audited accounts were authorised for issue on 18 September 2020.

Valerie Davidson
Assistant Chief Executive
18 September 2020

Cash Flow Statement for the year ended 31 March 2020

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

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
Balance at 31 March 2019	11,169	0	25,983	0	70,988	108,140	223,088	331,228
Movement in reserves during 2019/20								
Total Comprehensive Income and Expenditure	62,854	0	0	0	0	62,854	31,762	94,616
Transfers from / (to) statutory reserves	(2,500)	1,000	0	1,500	0	0	0	0
Adjustments between accounting basis & funding basis under regulations (note 3)	3,344	0	64	0	(13,257)	(9,849)	9,849	0
Increase/(decrease) in 2019/20	63,698	1,000	64	1,500	(13,257)	53,005	41,611	94,616
Balance at 31 March 2020 carried forward	74,867	1,000	26,047	1,500	57,731	161,145	264,699	425,844

Comparative information for 2018/19

	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
Balance at 31 March 2018	11,169	0	23,989	0	92,202	127,360	201,323	328,683
Movement in reserves during 2018/19								
Total Comprehensive Income and Expenditure	12,273	0	0	0	0	12,273	(9,728)	2,545
Adjustments between accounting basis & funding basis under regulations (note 3)	(12,273)	0	1,994	0	(21,214)	(31,493)	31,493	0
Increase/(decrease) in 2018/19	0	0	1,994	0	(21,214)	(19,220)	21,765	2,545
Balance at 31 March 2019 carried forward	11,169	0	25,983	0	70,988	108,140	223,088	331,228

Notes to the Financial Statements

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

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

2018/19			2019/20			
Net Expenditure/ (Income) Chargeable to the General Fund £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
(857)	8,568	7,711	Subway operations	(35)	6,854	6,819
15,334	3,679	19,013	Bus operations	15,465	2,795	18,260
1,786	670	2,456	Operations - Other	1,604	420	2,024
2,985	832	3,817	Business Support	3,489	597	4,086
1,452	13,536	14,988	Corporate	1,062	17,268	18,330
16,238	(16,238)	0	Contribution to Subway Fund	14,915	(14,915)	0
36,938	11,047	47,985	Cost Of Services	36,500	13,019	49,519
(36,938)	(23,320)	(60,258)	Other Income and Expenditure	(36,500)	(75,873)	(112,373)
0	(21,273)	(12,273)	(Surplus) or Deficit	0	(62,854)	(62,854)
(11,169)			Opening General Fund Balance	(11,169)		
0			Less (Surplus)/Deficit on General Fund	3,302		
(11,169)			Closing General Fund Balance	(7,867)		

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

	Adjustments for Capital Purposes £000	Net change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Subway operations	4,861	1,945	48	6,854
Bus operations	1,913	519	363	2,795
Operations – Other	0	420	0	420
Business Support	0	597	0	597
Corporate	15,263	82	1,923	17,268
Contribution to Subway Fund	(14,915)	0	0	(14,915)
Cost of Services	7,122	3,563	2,334	13,019
Other income and expenditure from the Expenditure and Funding Analysis	(62,143)	499	(14,229)	(75,873)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus on the Provision of Services	(55,021)	4,062	(11,895)	(62,854)

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

Comparative Information for 2018/19

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

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

Income received on a segmental basis is analysed below:

Subway Operations	2018/19 £000	2018/19 £000
Ticket Income	(19,911)	(20,155)
Advertising Income	(1,156)	(1,223)
Miscellaneous Income	(155)	(415)
Rental Income	(59)	(48)
Total Subway Income	(21,281)	(21,841)
Bus Operations		
Bus Departures and Parking	(1,343)	(1,290)
Agency Services	(798)	(825)
Miscellaneous Income	(507)	(431)
Rental Income	(357)	(363)
Bus Station Facilities	(237)	(200)
Advertising	(129)	(136)
Total Bus Income	(3,371)	(3,245)
Corporate		
Interest Received	(1,379)	(1,689)
Agency Services	(1,240)	(1,240)
Rental Income	(221)	(221)
Miscellaneous Income	(132)	(49)
Total Corporate Income	(2,972)	(3,199)
Total income analysed on a segmental basis	(27,624)	(28,285)

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

With regard to revenue from contracts with service recipients the above fulfils SPT's basic reporting requirements. Further details of amounts owed to SPT can be found within Short-term Debtors (note 28). The specific accounts receivable balance, which relates to invoices issued by SPT, but remain unpaid can be found within the Financial Instruments note (note 33).

2. Expenditure and Income Analysed by Nature

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

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

2019/20

	Usable Reserves		
	General Fund Balance £000	Capital Fund £000	Capital Grants Unapplied Account £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions costs (transferred from (or to) the Pensions Reserve)	4,061	0	0
Holiday pay (transferred from (or to) the Accumulated Absences Account)	13	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(691)	0	24
Total Adjustments to Revenue Resources	3,383	0	24
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Fund	(39)	39	0
Total Adjustments between Revenue and Capital Resources	(39)	39	0
Adjustments to Capital Resources			
Use of the Capital Fund to finance capital expenditure	0	25	0
Application of capital grants to finance capital expenditure	0	0	(13,281)
Total Adjustments to Capital Resources	0	25	(13,281)
Total Adjustments	3,344	64	(13,257)

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

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

2018/19 Comparative Information

	Usable Reserves		
	General Fund Balance £000	Capital Fund £000	Capital Grants Unapplied Account £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:			
Pensions costs (transferred from (or to) the Pensions Reserve)	5,833	0	0
Holiday pay (transferred from (or to) the Accumulated Absences Account)	26	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(16,138)	0	28
Total Adjustments to Revenue Resources	(10,279)	0	28
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Fund	(1,994)	1,994	0
Total Adjustments between Revenue and Capital Resources	(1,994)	1,994	0
Adjustments to Capital Resources			
Use of the Capital Fund to finance capital expenditure	0	0	0
Application of capital grants to finance capital expenditure	0	0	(21,242)
Total Adjustments to Capital Resources	0	0	(21,242)
Total Adjustments	(12,273)	1,994	(21,214)

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

4. Movement in General Fund Balance

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

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

4. Movement in General Fund Balance (continued)

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

SPT's Reserves Policy was approved by the Strategy & Programmes Committee on 7 February 2020 and can be found at:

spt.co.uk/documents/latest/SP070220_Agenda6.pdf

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

Rolling Stock, Signalling and Associated Equipment Fund

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

Subway Infrastructure Fund

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

Guideline Criteria Review Fund

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

Strategic Bus Routes Fund

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

Non-earmarked Balance

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

5. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

2018/19 £000		2019/20 £000
0	Gains/losses on disposal of non-current assets	268
0	Total	268

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

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

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

2018/19 £000		2019/20 £000
(19,663)	Funding received as requisition from constituent local authorities	(86,745)
(10,820)	Scottish Government Revenue Grant	(12,945)
(27,832)	Scottish Government Capital Grant	(11,217)
(23)	Other Capital Grant	(2)
(58,338)	Total	(110,909)

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

The increase in funding under, Funding Received as requisition form constituent local authorities, is due to the Receipts in Advance balance from the Balance Sheet being released to the Income and Expenditure Statement. The balance was written out and reserves increased within the Balance Sheet (see note 4) due to the passing of the Transport (Scotland) Act 2019 as described in the management commentary.

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 2019 £000		31 March 2020 £000
55,124	Revaluation Reserve	66,914
187,159	Capital Adjustment Account	202,366
(19,090)	Pensions Reserve	(4,463)
(105)	Accumulating Absences Account	(118)
223,088	Total Unusable Reserves	264,699

Revaluation Reserve

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

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

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

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

9. Balance Sheet – Unusable Reserves (continued)

Capital Adjustment Account

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

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

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

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

9. Balance Sheet – Unusable Reserves (continued)

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

Pensions Reserve

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

9. Balance Sheet – Unusable Reserves (continued)

2018/19 £000		2019/20 £000
(3,245)	Balance at 1 April	(19,090)
(10,012)	Actuarial gains or (losses) on pension assets and liabilities	18,688
(9,412)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(7,601)
3,579	Employer's pensions contributions and direct payments to pensioners payable in the year	3,540
(19,090)	Balance at 31 March	(4,463)

Accumulated Absences Account

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

2018/19 £000		2019/20 £000
(79)	Balance at 1 April	(105)
0	Settlement or cancellation of accrual made at the end of the preceding year	0
(26)	Amounts accrued at the end of the current year	(13)
(26)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(13)
(105)	Balance at 31 March	(118)

10. Cash Flow Statement – Non Cash Movements

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

11. Cash Flow Statement – Investing Activities

2018/19 £000		2019/20 £000
(58,852)	Purchase of property, plant and equipment, investment property, intangible assets and grants	(36,358)
(15,701)	Purchase of short-term and long-term investments	3,931
1,994	Proceeds from the sale of property, plant and equipment, investment properties and intangible assets	39
1,379	Interest received (note 6)	1,689
(71,180)	Net cash flows from investing activities	(30,699)

12. Cash Flow Statement – Cash and Cash Equivalents

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

31 March 2019 £000		31 March 2020 £000
16	Cash held by SPT	16
28,523	Current accounts with banks and building societies	16,433
22,247	Short-term deposits with banks and building societies	36,786
50,786	Total cash and cash equivalents	53,235

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.

2018/19 £000		2019/20 £000
71	Fees payable with regard to external audit services carried out by the appointed auditor for the year	72
0	Fees payable for additional services	0
71	Total	72

14. Defined Benefit Pension Schemes

Participation in pension schemes

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

Benefits

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

Governance

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

Principal Risks

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

Discretionary Post-employment Benefits

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

14. Defined Benefit Pension Schemes (continued)

Transactions Relating to Post-employment Benefits

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

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

	2018/19 £000	2019/20 £000
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services:		
Service cost comprising		
• current service cost	5,820	7,022
• past service costs (including curtailments)	3,431	80
• curtailments and unfunded benefits	0	0
Financing and Investment Income and Expenditure		
• net interest expense	161	499
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	9,412	7,601
Other Post Employment Benefit Charged to the CIES		
• expected return on scheme assets	(7,408)	15,923
• re-measurements	17,420	(34,611)
Total Post Employment Benefit Charged to the CIES	19,424	(11,087)
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	5,833	4,061
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers' contributions payable to scheme	3,579	3,540

14. Defined Benefit Pension Schemes (continued)

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from SPT's obligation in respect of its defined benefit plan is as follows:

	2018/19 £000	2019/20 £000
Present value of scheme liabilities	(259,455)	(231,681)
Fair value of scheme assets	240,365	227,218
Deficit	(19,090)	(4,463)

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

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

Reconciliation of Present Value of the Scheme Liabilities

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

14. Defined Benefit Pension Schemes (continued)

Analysis of Pension Fund's Assets

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

	2018/19			2019/20		
	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total
	£000	£000	£000	£000	£000	£000
Equity instruments (by industry type)						
• Consumer	15,393	44	15,437	14,551	41	14,592
• Manufacturing	12,472	37	12,509	11,789	36	11,825
• Energy & utilities	3,213	0	3,213	3,038	0	3,038
• Financial institutions	10,362	0	10,362	9,795	0	9,795
• Health & care	6,086	62	6,148	5,753	59	5,812
• Information technology	7,922	1	7,923	7,488	2	7,490
Sub-total equity	55,448	144	55,592	52,414	138	52,552
Corporate Bonds	7,542	0	7,542	7,129	0	7,129
UK Property	0	21,763	21,763	0	20,572	20,572
Private equity	0	28,723	28,723	0	27,152	27,152
Other investment funds						
• Equities	68,267	5,917	74,184	64,532	5,594	70,126
• Bonds	10,512	17,317	27,829	9,937	16,370	26,307
• Commodities	120	0	120	114	0	114
• Other	0	308	308	0	291	291
Sub-total other investment funds	78,899	23,542	102,441	74,583	22,255	96,838
Derivatives						
• Other	5	0	5	5	0	5
Sub-total derivatives	5	0	5	5	0	5
Cash and cash equivalents	12,374	11,925	24,299	11,697	11,273	22,970
Total assets	154,268	86,097	240,365	145,828	81,390	227,218

14. Defined Benefit Pension Schemes (continued)

Basis for Estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:

Local Government Pension Scheme

	2018/19	2019/20
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.9%	1.7%
Bonds	2.9%	1.7%
Property	2.9%	1.7%
Cash	2.9%	1.7%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.4	20.7
Women	23.7	22.9
Longevity at 65 for future pensioners:		
Men	23.4	22.2
Women	25.8	24.6
Rate of CPI	2.5%	1.9%
Rate of increase in salaries	3.7%	3.0%
Rate of increase in pensions	2.5%	1.9%
Rate for discounting fund liabilities	2.4%	2.3%
Take-up of option to convert annual pension into retirement lump sum (Pre-April 2009)	50%	50%
Take-up of option to convert annual pension into retirement lump sum (Post-April 2009)	75%	75%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption

analysed changes while all the other assumptions remain constant. The methods and types of assumption used in preparing the sensitivity analysis below did not change from this used in the previous period.

14. Defined Benefit Pension Schemes (continued)

Change in assumptions at 31 March 2020	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	9%	21,135
0.5% increase in the Salary Increase Rate	1%	3,434
0.5% increase in the Pension Increase Rate	8%	17,391

In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme liabilities as at 31 March 2020 on a varying basis. The approach taken is consistent with that adopted to derive the IAS19 figures contained in this note.

Asset and Liability Matching (ALM) Strategy

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

Impact on the Authority's Cash Flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. An actuarial valuation of the fund was undertaken in 2017, which has resulted in the contribution rates being set at 19.3% for 2018/19, 2019/20 and 2020/21.

The total contributions expected to be made by SPT to Strathclyde Pension Fund in the year to 31 March 2020 is £3.094 million.

The weighted average duration of the defined benefit obligation for Fund members is 17.9 years (2018/19: 17.9 years).

15. Events after the Balance Sheet Date

The accounts were authorised for issue by the Assistant Chief Executive on 18 September 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. As detailed with the management commentary the COVID-19 pandemic is having a significant impact operationally and financially on SPT in 2020/21. No adjustments have been made to the 2019/20 results for any COVID-19 related matter.

16. Related Parties

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

Scottish Government and its agencies

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

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

16. Related Parties (continued)

Members and the 12 Local Authorities in Strathclyde

Nominated members from each of the 12 Local Authorities in Strathclyde have direct control over SPT's financial and operating policies. The total of members' allowances paid during 2019/20 is shown in the Remuneration Report.

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

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

During 2019/20 SPT provided capital grants totalling £10.706 million (2018/19: £8.773 million) to Local Authorities within the SPT area in support of various transport improvement projects. SPT also paid for goods / services and provided revenue grants to local authorities totalling £1.003 million (2018/19: £0.764 million).

There is a balance of £0.625 million (2018/19: £0.848 million) in relation to outstanding invoices and accrued income within Short-term Debtors (note 28). There is also a balance of £11.156 million (2018/19: £7.165 million) within Short-term Creditors (note 29) which primarily relates to outstanding invoices. At 31 March 2020 there is no balance sitting within Receipts in Advance (note 30) (2018/19: £51.283 million) as the balance was written out to the Income and Expenditure Statement to ultimately create reserves (see note 7).

Strathclyde Concessionary Travel Scheme (SCTS)

SPT provides SCTS with administrative and overhead support, as well as sharing a number of the same board members. During 2019/20 SPT charged £0.266 million (2018/19: £0.291 million) to SCTS for the provision of these services, and £0.325 million (2018/19: £0.334 million) received in income for Concessionary Travel reimbursements. Charges and income outstanding at 31 March 2020 was £0.266 million (2018/19: £0.299 million), and are included in Other Receivables Amounts (note 28 Short-term Debtors). A balance of £0.002 million (2018/19: £0.000 million) for prepaid income is included within Other Payables Amounts (note 29 Short-term Creditors).

Nevis Technologies Limited

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

During 2019/20 SPT approved payments totalling £0.153 million (2018/19: £0.239 million) to Nevis Technologies Limited in support of the development of a smartcard ticketing and payment service. During 2019/20 SPT charged £0.050 million to Nevis Technologies (2018/19: £0.097 million). Payments outstanding at 31 March 2020 were £0.009 million (2018/19: £0.026 million) and are included in Other Payables Amounts (note 29 Short-term Creditors). A balance of £0.048 million (2018/19: £0.098 million) is included in Bodies Other Receivables Amounts (note 28 Short-term Debtors).

17. Agency activities

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

Total Costs 2018/19 £000		Administration Recharge £000	Direct Service Payments £000	Total Costs 2019/20 £000
30,037	School and Vocational Transport	1,000	29,597	30,597
944	Bus Shelter Maintenance	189	768	957
291	Strathclyde Concessionary Travel Scheme	272	0	272
31,272	Total	1,461	30,365	31,826

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

18. Leases

SPT as Lessee

Finance Leases

SPT does not currently have any leases that meet the definition of a finance lease (2018/19: nil).

Operating Leases

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

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

2018/19 £000		2019/20 £000
46	Not later than one year	44
81	Later than one year and not later than five years	112
144	Later than five years	131
271	Total	287

19. Investment Properties

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

2018/19 £000		2019/20 £000
(637)	Rental income from investment property	(632)
(637)	Total	(632)

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:

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

20. Intangible Assets

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

2018/19 £000		2019/20 £000
	Balance at start of year	
2,325	• Gross carrying amounts	2,498
(1,402)	• Accumulated amortisation	(1,774)
923	Net carrying amount at start of year	724
244	Additions: purchases	35
(71)	Disposals cost	(132)
(442)	Amortisation for the period	(333)
70	Disposals amortisation	132
724	Net carrying amount at the end of year	426
	Comprising:	
2,498	• Gross carrying amounts	2,401
(1,774)	• Accumulated amortisation	(1,975)
724		426

21. Impairment Losses

As a result of the Subway Modernisation programme, an annual review has been instigated of all Subway assets to determine if any would be rendered obsolete ahead of their scheduled useful life by the planned investment in new assets. This review also incorporates non-Subway assets.

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

Consequently, in 2019/20 SPT has not recognised any management assessed impairment loss (2018/19: £0.162 million) in relation to its Subway assets and Bus Operations fleet.

22. Property, Plant and Equipment

Movements in 2019/20:

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

22. Property, Plant and Equipment (continued)

Comparative Movements in 2018/19:

	Land & Buildings £000	Plant & Machinery £000	Rolling Stock & Vehicles £000	Infra-structure Assets £000	Sundry Assets £000	Assets Under Construction £000	Investment Properties £000	Investment Properties Held for Sale £000	Total £000
Cost or Valuation									
At 1 April 2018	113,491	8,824	39,076	84,006	7,188	41,862	5,946	1,956	302,349
Additions	233	51	0	584	322	47,663	0	0	48,853
Revaluation increases/(decreases) recognised in the Revaluation Reserve	196	0	0	0	0	0	0	0	196
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,619)	0	0	0	0	0	65	0	(1,554)
Derecognition - Disposals	0	(105)	(2,569)	0	(212)	0	(95)	(1,956)	(4,937)
Transfers	4,509	273	860	0	0	(5,642)	0	0	0
At 31 March 2019	116,810	9,043	37,367	84,590	7,298	83,883	5,916	0	344,907
Accumulated Depreciation and Impairment									
At 1 April 2018	4,560	3,842	35,038	42,721	4,983	0	0	0	91,144
Depreciation charge	3,481	355	1,624	1,706	764	0	0	0	7,930
Depreciation written out to the Revaluation Reserve	(88)	0	0	0	0	0	0	0	(88)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(406)	0	0	0	0	0	0	0	(406)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	86	76	0	0	0	0	162
Derecognition - Disposals	0	(105)	(2,569)	0	(201)	0	0	0	(2,875)
At 31 March 2019	7,547	4,092	34,179	44,503	5,546	0	0	0	95,867
Net Book Value									
At 31 March 2019	109,263	4,951	3,188	40,087	1,752	83,883	5,916	0	249,040
At 31 March 2018	108,931	4,982	4,038	41,285	2,205	41,862	5,946	1,956	211,205

22. Property, Plant and Equipment (continued)

Capital Commitments

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

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

Valuations

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

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

The basis of value applied was as follows:

a) In Use (Operational) Assets

- Valued to Current Value in existing use having regard to the service potential that an asset provides in support of the entity's service delivery.
- The measurement approaches used to arrive at the Current Value of In Use Assets are, for non-specialised operational assets, Existing Use Value (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 valuations have been reported on the basis of 'material valuation uncertainty' due to the current COVID-19 pandemic. Further information can be found under Accounting Policies "22. Critical judgements made in applying accounting policies" on page 29.

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

23. Capital Expenditure and Capital Financing

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

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

24. Heritage Assets

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

25. Investment Properties Held for Sale

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

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

26. Short-term Investments

31 March 2019 £000		31 March 2020 £000
119,217	Deposits with banks and building societies	115,286
119,217	Total	115,286

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

27. Inventories

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

28. Short-term Debtors

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

29. Short-term Creditors

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

30. Receipts in Advance

31 March 2019 £000		31 March 2020 £000
51,283	Receipts in advance – other local authorities	0
51,283	Total	0

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

31. Provisions

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

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

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

32. Contingent Liabilities

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

33. Financial Instruments

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

Financial Assets

	Non-Current		Cash and Investments		Current		Total
	Investments in Joint Ventures and Associates				Debtors		
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	
Amortised Cost	5	5	170,003	168,521	7,539	4,039	172,565
Total	5	5	170,003	168,521	7,539	4,039	172,565

Financial Liabilities

	Non-Current		Current		Total
	Creditors		Creditors		
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	
Amortised Cost	51,283	0	25,863	19,474	19,474
Total	51,283	0	25,863	19,474	19,474

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

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

34. Nature and Extent of Risk Arising from Financial Instruments

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

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

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

Credit Risk

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

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

spt.co.uk/documents/latest/SPT080319_Agenda7.pdf

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.

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

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

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

Liquidity Risk

SPT has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the 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.

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

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

31 March 2019 £000	Estimated Financial Effect	31 March 2020 £000
(1,642)	Increase in interest receivable on variable rate investments	(1,661)
(1,642)	Net theoretical impact on I&E Account	(1,661)

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

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

35. Interests in companies and other entities

During 2011/12 SPT acquired 49% of the ordinary shares in Nevis Technologies Limited, a company registered in Scotland, at a cost of £4,999. Nevis Technologies Limited is a joint venture between SPT and Ecebs Limited for the provision of a smartcard ticketing and payment service. This interest is recorded as a long-term investment at cost. Details of the transactions between SPT and Nevis Technologies can be found in note 16 Related Parties on page 55.

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

Remuneration Report

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

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

Total Remuneration 2018/19 £		Salary, Fees & Allowances £	Total Remuneration 2019/20 £
143,315	Gordon MacLennan: Chief Executive	150,613	150,613
121,819	Valerie Davidson: Assistant Chief Executive (Business Support)	128,499	128,499
79,149	Eric Stewart: Assistant Chief Executive (Operations) to 14/04/2018*	936	936
344,283	Total	280,048	280,048

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

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

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

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

Total Remuneration 2018/19 £		Salary, Fees & Allowances £	Total Remuneration 2019/20 £
21,102	Dr Martin Bartos, Chair	21,602	21,602
11,606	Alan Moir, Vice Chair	11,852	11,852
9,496	David Wilson, Vice Chair	9,676	9,676
42,204	Total	43,130	43,130

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

Remuneration paid to Councillors

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

2018/19 £000		2019/20 £000
0	Salaries	0
42	Allowances	43
1	Expenses	1
43	Total	44

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

The pension entitlements of senior employees for the year to 31 March 2020 are shown in the table below together with the contribution made by SPT to each senior employee's pension during the year:

	In-year pension contributions			Accrued pension benefits	
	Year to 31 March 2019 £	Year to 31 March 2020 £		Year to 31 March 2019 £	Year to 31 March 2020 £
Gordon MacLennan: Chief Executive (1)	27,660	29,068	Pension	30,951	34,882
			Lump sum	13,391	13,793
Valerie Davidson: Assistant Chief Executive (Business Support) (2)	23,511	24,800	Pension	55,804	60,261
			Lump Sum	99,872	102,868
Eric Stewart: Assistant Chief Executive (Operations) (3)	1,809	12	Pension	0	0
			Lump Sum	0	0

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

(2) The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

(3) The pension figures shown relate to the benefits that the person has accrued from their current appointment only, but includes a transfer in from another scheme. There are no entries for the 2018/19 accrued pension benefits as the employee retired in year. The pension contributions for 2019/20 relate to a backdated pay award only.

Remuneration of councillors in SPT is not pensionable.

Employees

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

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

The scheme's normal retirement age for most employees is 65, however it is based on state pension age.

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

The tier rates for 2019-20 have stayed the same as they were for 2018-19. Tiers are as follows: Whole time pay	Contribution rate 2019/20	Contribution rate 2018/19
On earnings up to and including £21,800	5.5%	
On earnings above £21,801 and up to £26,700	7.25%	
On earnings above £26,701 and up to £36,600	8.5%	
On earnings above £36,601 and up to £48,800	9.5%	
On earnings above £48,801	12%	
On earnings up to and including £21,800		5.5%
On earnings above £21,801 and up to £26,700		7.25%
On earnings above £26,701 and up to £36,600		8.5%
On earnings above £36,601 and up to £48,800		9.5%
On earnings above £48,801		12%

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

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

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

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

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

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

Exit Packages

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

Exit package cost band	2018/19 Number of compulsory redundancies	2018/19 Number of other departures	2019/20 Number of compulsory redundancies	2019/20 Number of other departures
£0 - £20,000	2	2	0	0
£20,001 - £40,000	3	1	0	3
£40,001 - £60,000	3	2	0	0
£60,001 - £80,000	1	0	0	1
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	1	0	2	1
£150,001 - £200,000	0	0	0	0
Total	10	5	2	5

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

Facility Time

The tables below fulfil SPT's publication requirements under The Trade Union (Facility Time Publication Requirements) Regulations 2017 and covers the financial year 2019/20.

Table 1 - Relevant union officials

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

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
17	17

Table 2 - Percentage of time spent on facility time

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

Percentage of time	Number of employees
0%	9
1% – 50%	8
51% – 99%	0
100%	0

Table 3 - Percentage of pay bill spent on facility time

Description	Figures
Total cost of facility time	£2,218
Total pay bill	£21,290,514
Percentage of the total pay bill spent on facility time	0.01%

Table 4 - Paid trade union activities

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

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

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

DRAFT

Martin Bartos

Chair

18 September 2020

Gordon MacLennan

Chief Executive

18 September 2020

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

Report on the audit of the financial statements

Opinion on financial statements

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

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the body as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is 4 years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Property valuations

We draw attention to the Accounting policies, note 22. 'Critical judgements made in applying accounting policies' of the financial statements, which describes the effects of a material uncertainty, caused by Covid-19, on the property valuations. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Assistant Chief Executive has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

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

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

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

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

The Partnership is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual accounts

The Assistant Chief Executive is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

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

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

Gary Devlin (for and on behalf of Scott-Moncrieff Audit Services)

Exchange Place 3

Semple Street

Edinburgh EH3 8BL

18 September 2020

Strathclyde Concessionary Travel Scheme Joint Committee Annual Accounts for the year ended 31 March 2020

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Members of the Joint Committee

Members of the Joint Committee as at 31 March 2020

Member

Councillor Graham Hardie

Councillor Jim Roberts

Councillor Alan Moir

Councillor Alan Lafferty

Councillor Malcolm Balfour

Councillor Martin Bartos

Councillor David Wilson

Councillor Donald Reid

Councillor Michael McPake

Councillor Cathy McEwan

Councillor Ian Cochrane

Councillor David Shearer

Councillor Marie McNair

Representing

Argyll & Bute Council

East Ayrshire Council

East Dunbartonshire Council

East Renfrewshire Council

Glasgow City Council

Strathclyde Partnership for Transport

Inverclyde Council

North Ayrshire Council

North Lanarkshire Council

Renfrewshire Council

South Ayrshire Council

South Lanarkshire Council

West Dunbartonshire Council

The Joint Committee consists of 13 Elected Members representing the 12 constituent unitary authorities in the west of Scotland, together with the Chair of Strathclyde Partnership for Transport. The Joint Committee met on 2 occasions during 2019/20.

Secretary / Treasurer

Valerie Davidson

Strathclyde Partnership for Transport
131 St. Vincent Street
Glasgow
G2 5JF

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

Management Commentary

Introduction

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

About Strathclyde Concessionary Travel Joint Committee

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

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

Scope of the Scheme

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

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

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

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

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

No further changes were made for 2019/20 pending a major review of the Scheme. However, the Joint Committee was advised in September 2019 that the requisition from constituent authorities was no longer sufficient to cover operator payments and that it was estimated that a maximum of two years reserves were now held. Subsequently the Joint Committee agreed significant fares increases for 2020/21 which will help sustain the Scheme whilst the major review of the Scheme is undertaken.

Table 1 Programme of Changes to the Scheme

2010-11	
Increased the basic concessionary fare on rail and Subway by a maximum of 20p.	
Re-introduced a basic concessionary fare on ferry services included within SCTS	2011-12
Introduced a Price differential between single and return basic concessionary fare i.e. single 60p and return £1	Increased the basic concessionary fare from 60p single and £1 return to 80p single and £1.20 return.
	Re-introduced a 10-mile basic concession fare boundary for ferry services
2012-13	
Updated operator reimbursement calculations.	Re-introduced a cap on concessionary ferry fares for services to designated rural areas beyond 10 mile at 2 x basic concession.
Introduced an evening-peak restriction on rail travel (between 16:30 and 18:30 hrs).	2013-14
Basic concessionary fare maintained at 80p single and £1.20 return.	Basic concessionary fare increased to 90p single and £1.30 return.
2014-15	
Basic concessionary fare maintained at 90p single and £1.30 return.	2015-16
	Basic concessionary fare maintained at 90p single and £1.30 return.
2016-17	
Basic concessionary fare maintained at 90p single and £1.30 return.	2017-18
	Basic concessionary fare increased to £1 single and £1.40 return.
2018-19	
Basic concessionary return fare increased to £1.50. No change to single fare.	2019-20
	Basic concessionary fare maintained at £1 single and £1.50 return.
2020-21	
Basic concessionary fare increased by 50p to £1.50 single and £2.00 return.	
Ferry journeys beyond 10 miles charged twice the basic concession fare.	

Our Priorities

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

Performance Reporting

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

spt.co.uk/corporate/about/minutes-agendas/sctj-committee/

Treasury Management

SPT manages all treasury management matters on behalf of the Joint Committee. SPT has adopted in full the CIPFA Code of Practice on Treasury Management including the creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of SPT's treasury management activities. SPT publishes an annual Treasury Management Strategy for the year ahead and annual Treasury Management Report for the year past, including a commentary on compliance. The 2019/20 Treasury Management Strategy can be found at:

spt.co.uk/documents/latest/SPTP080319_Agenda7.pdf

Management of Risk

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

spt.co.uk/corporate/about/minutes-agendas/sctj-committee/

Look Ahead

As noted, the Scheme in its current format is not sustainable in the long-term without an increase in funding from local authority partners or significant operational amendments to the scheme structure or fares applicable. A root and branch review of the scheme will take place, currently out to tender for external support, during 2020/21 to ensure the schemes affordability for the future.

The terms of the review have been adapted to include consideration of the impact on the Scheme of the COVID-19 global pandemic.

For financial year 2020/21, public transport usage has been and continues to be very severely constrained by the impact of COVID-19 and the resultant UK lockdown. The direct financial impact on the Scheme is as yet unknown. The immediate impact is a material reduction in reimbursement to operators reflecting the change in public transport usage across all modes.

SPT staff responsible for the administration of the Scheme continue to fulfil all related duties whilst working remotely. However, the national bureau for the production of concessionary cards remains closed and therefore no new or replacement cards are being issued to any users within Scotland.

Preparation of the Annual Accounts

The financial statements demonstrate SCTS sound stewardship of the public funds it controls and manages. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 which is based upon International Financial Reporting Standards (IFRS). Therefore, the Code, which remains the authoritative source of accounting standards for local authorities (and related bodies) across the UK, is based upon internationally common accounting standards.

Review of Performance

SCTS's comprehensive income and expenditure statement for the year ended 31 March 2020 is shown on page 97.

The agreed budget for 2019/20 was £4.573 million (£4.233 million, 2018/19). Funding contributions from the 12 participating councils were agreed at £4.040 million (a reduction of 1.22% on 2018/19) with £0.534 million funding required from reserves.

Payments to operators in the year amounted to £4.328 million (£4.106 million, 2018/19). The final outturn inclusive of all costs is £4.582 million (£4.379 million, 2018/19) which is £0.009 million more than the original 2019/20 budget. The overspend is due to an increase in payments to operators, which are driven by the number of journeys made and the commercial fares set by operators. The UK lockdown due to COVID-19 which commenced on 23 March 2020 did not have a material impact on patronage or operator reimbursement in 2019/20. The Joint Committee has no influence over any of these factors, which severely limits the measures that can be taken to reduce the spend levels on operator payments.

This underpins the requirement to conduct a root and branch review of the scheme during 2020/21 to ensure the schemes affordability for the future.

Balance Sheet

The Balance Sheet is shown on page 98 and provides details of SCTS's assets and liabilities as at 31 March 2020.

Cash Flow Statement

The Cash Flow Statement and the accompanying notes on page 99 summarise the inflows and outflows of cash arising from transactions with third parties for revenue purposes during the year.

Movement in Reserves Statement

The Movement in Reserves Statement reported on page 100 shows the general reserves held by the SCTS as at 31 March 2020. The Joint Committee has in recent years implemented a policy of reducing the level of balances held to a level more commensurate with the local Scheme costs. This action has been taken by the Joint Committee following consultation with the funding bodies. In line with the policy, in 2019/20, £0.542 million of reserves were utilised to fund the deficit incurred during the financial year. The Joint Committee has already approved a resource utilisation policy, which will see the overall level reduced even further in future years. However, the scope and sustainability of this policy will be considered as part of the review of the Scheme in 2020/21.

Membership of the Joint Committee

Details of representation on the Joint Committee at 31 March 2020 are shown on page 82.

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

Valerie Davidson
Secretary / Treasurer

18 September 2020

Statement of Responsibilities

The Joint Committee's responsibilities

The Joint Committee is required to:

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

I certify that the Annual Accounts have been approved for signature by the Partnership at its meeting on 18 September 2020.

Valerie Davidson
Secretary / Treasurer
18 September 2020

The Treasurer's responsibilities

The Treasurer is responsible for the preparation of the Scheme's statement of accounts in accordance with proper practices as set out in CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code of Practice").

In preparing this statement of accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that the Annual Accounts give a true and fair view of the financial position of the Scheme at the reporting date and the transactions of the Joint Committee for the year ended 31 March 2020.

Annual Governance Statement and Statement of Financial Control

Scope of the Governance Framework

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

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

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

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

The Purpose of the Governance Framework

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

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

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

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

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

The Governance Framework

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

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

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

These arrangements are supplemented by HR policy and guidance. Specifically during 2019/2020, the following documents were reviewed:

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

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

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

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

Principle B: Ensuring openness and comprehensive stakeholder engagement.

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

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

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

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

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

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

Meetings of the Partnership and its committees are open to the public, and agendas, papers and minutes are published on our website in accordance with the Publication scheme.

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

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

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

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

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

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

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

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

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

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

The SPT strategy group and senior management receive advice and guidance from officer led groups responsible for the consideration of, for example, environmental sustainability, Digital transformation, and health and safety to drive and direct the decision making process. This advice is supplemented by external support provided by specialist professionals and services, where appropriate. During 2019/2020, this included the following documents:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A report on Fares increase and commissioning of a review of the Strathclyde Concessionary Travel Scheme was presented to and approved by the Strathclyde Concessionary Travel Scheme Joint Committee at its meeting of 6 March 2020.

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

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

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

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

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

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

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

Monitoring and Review of Governance Arrangements

SPT's governance arrangements are formally monitored via:

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

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

Statutory Role

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

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

System of Internal Financial Control

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

This statement applies to the 2019/2020 annual accounts for SPT. We acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned.

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

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

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

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

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

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

The effectiveness of internal financial controls is informed by officers throughout SPT and the Audit and Standards committee (as the scrutiny committee) and by the work of internal and external audit. It is SPT's view that the systems for internal control were effective during 2019/2020 with no identified material weaknesses, and will be improved through implementation of the recommended actions from internal and external audit reports, and continuous corporate business planning.

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

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

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

Governance arrangements under Coronavirus (Covid-19) pandemic

On 23 March 2020, the UK government imposed a national lockdown requiring everyone to stay-at-home apart for limited reasons with social distancing measures introduced.

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

Since this date, SPT business has continued to be conducted in line with Partnership approved procedures and standing orders, scheme of delegated functions and financial regulations.

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

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

Valerie Davidson
Secretary / Treasurer
18 September 2020

Accounting Policies

General Principles

The annual accounts for the year ended 31 March 2020 have been compiled on the basis of recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). The Code is based on International Financial Reporting Standards (IFRS) with interpretation appropriate to the public sector. The statements are designed to give a 'true and fair view' of the financial performance and position of SCTS for 2019/20.

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

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

1. Basis of Preparation

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

• Revenue income and debtors

All transactions relating to the period to 31 March 2020 have been matched and accounted for in the period to which they relate. Government grants and other contributions are accounted for on an accruals basis and are recognised as income when the conditions of entitlement have been satisfied and there is reasonable assurance that the monies will be received.

• Revenue expenditure and creditors

Sundry creditors are accrued on the basis of payments made following 31 March 2020 relating to goods or services received in the year together with specific accruals in respect of further material items.

2. Amounts Due to Operators

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

3. Corporate Costs

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

The recharge includes:

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

4. Retirement Benefits

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

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

5. Investments

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

6. Cash and Cash Equivalents

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

7. Value Added Tax (VAT)

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

8. Usable Reserves

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

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

9 Provisions and Contingent Liabilities

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

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

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

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

10. Related Party Transactions

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

11. Financial Instruments

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

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

12. Accounting Standards Issued Not Adopted

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

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

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

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

2018/19			2019/20			
Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000		Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000
4,106	0	4,106	Payments to Operators	4,328	0	4,328
297	0	297	Corporate Costs (note 1)	272	0	272
4,403	0	4,403	Cost Of Services	4,600	0	4,600
		(24)	Financing and Investment Income and Expenditure (note 2)			(18)
		(4,089)	Taxation and Non-Specific Grant Income (note 3)			(4,040)
		290	Deficit on Provision of Services			542
		0	Other Comprehensive Income and Expenditure			0
		290	Total Comprehensive Income and Expenditure			542

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

Balance Sheet as at 31 March 2020

31 March 2019 £000		Note	31 March 2020 £000
1,428	Short-term Investments	8	940
702	Cash and Cash Equivalents	7	898
1	Short-term Debtors	9	2
2,131	Current Assets		1,840
(812)	Short-term Creditors	10	(1,113)
(50)	Provisions	11	0
(862)	Current Liabilities		(1,113)
1,269	Net Assets		727
1,269	Usable Reserves	4	727
1,269	Total Reserves		727

The unaudited accounts were issued on 12 June 2020 and the audited accounts were authorised for issue on 18 September 2020.

Signed on behalf of the Joint Committee:

Valerie Davidson
Secretary / Treasurer
18 September 2020

Cash Flow Statement for the year ended 31 March 2020

2018/19 £000		2019/20 £000
(290)	Net surplus or (deficit) on the provision of services	(542)
(46)	Adjustments to net surplus or deficit on the provision of services for non cash movements (note 5)	250
(24)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(18)
(360)	Net cash flows from Operating Activities	(310)
610	Investing Activities (note 6)	506
250	Net increase or (decrease) in cash and cash equivalents	196
452	Cash and cash equivalents at the beginning of the reporting period	702
702	Cash and cash equivalents at the end of the reporting period (note 7)	898

Movement in Reserves Statement

Current year

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

Comparative information for 2018/19

	General Fund Balance £000
Balance at 31 March 2018	1,559
Movement in reserves during 2018/19	
Total Comprehensive Income and Expenditure	(290)
Increase / (decrease) in 2018/19	(290)
Balance at 31 March 2019 carried forward	1,269

Notes to the Financial Statements

1. Comprehensive Income and Expenditure Statement - Corporate Costs

2018/19 £000		2019/20 £000
167	Staff costs	137
5	Auditor's Remuneration	5
0	Members Allowances and Expenses	0
86	Other Costs	127
39	Postage Costs	3
297	Total	272

The average number of full time SPT staff dealing with the administration of the Scheme was 5.5 (2018/19: 7.6), including the issue of the national entitlement card.

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

2018/19 £000		2019/20 £000
(24)	Interest receivable and similar income	(18)
(24)	Total	(18)

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

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

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

2018/19 £000		2019/20 £000
(169)	Argyll & Bute Council	(207)
(233)	East Ayrshire Council	(235)
(210)	East Dunbartonshire Council	(227)
(171)	East Renfrewshire Council	(180)
(1,010)	Glasgow City Council	(840)
(164)	Inverclyde Council	(157)
(272)	North Ayrshire Council	(286)
(552)	North Lanarkshire Council	(567)
(320)	Renfrewshire Council	(320)
(254)	South Ayrshire Council	(263)
(563)	South Lanarkshire Council	(595)
(171)	West Dunbartonshire Council	(163)
(4,089)	Total	(4,040)

4. Balance Sheet – Usable Reserves

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

5. Cash Flow Statement – Non Cash Movements

2018/19 £000		2019/20 £000
0	(Increase) / decrease in debtors	(1)
(96)	Increase / (decrease) in creditors	301
50	Increase / (decrease) in provisions	(50)
(46)	Total	250

6. Cash Flow Statement – Investing Activities

2018/19 £000		2019/20 £000
586	Purchase of short-term investments	488
24	Interest Received (note 2)	18
610	Net cash flows from investing activities	506

7. Cash Flow Statement – Cash and Cash Equivalents

31 March 2019 £000		31 March 2020 £000
702	Current accounts with banks and building societies	898
702	Total cash and cash equivalents	898

8. Short-term Investments

31 March 2019 £000		31 March 2020 £000
1,428	Deposits with banks and building societies	940
1,428	Total	940

9. Short-term Debtors

31 March 2019 £000		31 March 2020 £000
1	Prepayments and Accrued Income	2
1	Total	2

10. Short-term Creditors

31 March 2019 £000		31 March 2020 £000
491	Trade Payables	0
321	Accruals and Prepaid Income	1,113
0	Other payable amounts	0
812	Total	1,113

11. Provisions

	Operator payments £000
Balance at 1 April 2019	50
Additions to provisions during 2019/20	0
Amounts used in 2019/20	(25)
Unused amounts reversed in 2019/20	(25)
Balance at 31 March 2020 carried forward	0

Provision was in relation to the financial effect of a review of operator payment allocation methodology.

12. External Audit Costs

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

2018/19 £000		2019/20 £000
5	Fees payable with regard to external audit services carried out by the appointed auditor for the year	5
0	Fees payable for additional services	0
5	Total	5

13. Related Parties

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

Members and the 12 Local Authorities in Strathclyde

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

During 2019/20 the 12 Local Authorities in Strathclyde provided funding totalling £4.040 million (2018/19: £4.089m million) in the form of requisition.

Strathclyde Partnership for Transport (SPT)

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

During 2019/20 SPT charged £0.266 million (2018/19: £0.291 million) to SCTS for the provision of administrative services. SCTS reimbursed SPT £0.326 million (2018/19: £0.334 million) for concessionary travel journeys made on the Subway.

There is a balance of £0.266 million (2018/19: £0.219 million) within Short-term Creditors (note 10) which relates to the administration charge owed to SPT.

There is a balance of £0.002 million (2018/19: £0.000 million) within Short-term Debtors (note 9) which relates to overpayment in the year for concessionary journeys made on the subway.

14. Financial Instruments

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

Financial Assets

	Cash and Investments		Current Debtors		Total
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2020 £000
Amortised Cost	2,130	1,838	1	2	1,840
Total	2,130	1,838	1	2	1,840

Financial Liabilities

	Current Creditors		Total
	31 March 2019 £000	31 March 2020 £000	31 March 2020 £000
Amortised Cost	812	1,113	1,113
Total	812	1,113	1,113

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

The gain incurred by SCTS in 2019/20 was an interest gain of £0.018 million (2018/19: £0.024 million). There was no expense as SCTS is debt free at present.

15. Nature and Extent of Risk Arising from Financial Instruments

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

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

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

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

Credit Risk

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

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

spt.co.uk/documents/latest/SPT080319_Agenda7.pdf

Credit Risk Management Practices

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

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

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

Amount as at 31 March 2019 £000		Amount as at 31 March 2020 £000	Historical Experience of Non-payment Adjusted for Market Conditions %	Estimated Maximum Exposure to Default and Un-collectability £000
2,130	Deposits with banks and other financial institutions	1,838	0	0
2,130	Total	1,838		0

15. Nature and Extent of Risk Arising from Financial Instruments

Liquidity Risk

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

Market Risk

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

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

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

31 March 2019 £000		31 March 2020 £000
	Estimated Financial Effect	
(30)	Increase in interest receivable on variable rate investments	(21)
(30)	Net theoretical impact on I&E Account	(21)

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

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

16. Events after the Balance Sheet Date

The annual accounts were authorised for issue by the Treasurer on 18 September 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. As detailed in the management commentary the COVID-19 pandemic is having a significant impact operationally and financially on SCTS in 2020/21. No adjustments have been made to the 2019/20 results for any COVID-19 related matter.

17. Remuneration Report

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

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

Report on the audit of the financial statements

Opinion on financial statements

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

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the body as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is 4 years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual accounts

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

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

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

Gary Devlin (for and on behalf of Scott-Moncrieff Audit Services)

Exchange Place 3
Semple Street
Edinburgh EH3 8BL

18 September 2020

DRAFT

