

Strathclyde Concessionary Travel Scheme Joint Committee



Annual Accounts 2016/2017

Date of meeting 6 October 2017

Date of report 28 September 2017

Report by Treasurer/Secretary

1. Object of Report

The object of this report is to provide the Committee with the finalised and audited Strathclyde Concessionary Travel Scheme Joint Committee (SCTSJC) financial statements.

2. Background

The Committee is required to prepare financial statements having due regard to recognised accounting standards and specifically the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017. The Committee is required to approve the Annual Accounts for signature no later than 30 September of each year. This requirement was met in full.

3. Outline of Proposals

Attached to this report as Appendix 1 is the finalised abstract of accounts for the financial year 2016/207 for SCTSJC. These have been prepared in accordance with the recognised standards and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/2017.

4. Conclusion

The finalised abstract of accounts was prepared and submitted in the legislative timeframe having due regard to all current standards.

5. Committee Action

The Committee is asked to note the finalised and audited financial statements for the financial year ending 31 March 2017.

6. 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 and complied with during preparation.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>None.</i>

Valerie Davidson
Treasurer/Secretary
Strathclyde Concessionary Travel Scheme Joint Committee

For further information, please contact Neil Wylie (Director of Finance & HR) on 0141 333 3380.

Strathclyde Concessionary Travel Scheme Joint Committee Annual Accounts for the year ended 31 March 2017

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Members of the Joint Committee

Members of the Joint Committee as at 31 March 2017

Member

Councillor Robert G Macintyre

Councillor Bobby McDill

Councillor Alan Moir

Councillor Tony Buchanan

Councillor Gilbert Davidson

Councillor David Wilson

Councillor John Bruce (Chair)

Councillor Kaye Harmon

Councillor Jackie Henry

Councillor Nan McFarlane

Councillor Eileen Logan

Councillor Hazel Sorrell

Councillor Jonathan Findlay

Representing

Argyll & Bute Council

East Ayrshire Council

East Dunbartonshire Council

East Renfrewshire Council

Glasgow City Council

Inverclyde Council

North Ayrshire Council

North Lanarkshire Council

Renfrewshire Council

South Ayrshire Council

South Lanarkshire Council

West Dunbartonshire Council

Strathclyde Partnership for Transport

The Joint Committee consists of 12 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 2016/17.

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 (SCTS) 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 Strathclyde Partnership for Transport area remaining a matter for the Joint Committee.

The scheme was reviewed in 2009/10 with changes to fares being amongst a range of measures proposed to ensure the sustainability of the scheme in the longer term. These measures were approved by the Joint Committee on 11 December 2009 and were implemented in 2010/11, with a further fare increase implemented in 2011/12 and amendments to the operator reimbursement factors

and the introduction of a rail evening peak restriction implemented in 2012/13.

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:

www.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 2016/17 Treasury Management Strategy can be found at:

spt.co.uk/documents/sp180316_agenda6.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:

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

Look Ahead

For 2017/18, the basic concessionary fare will be raised, the first increase since 2011/12. This measure, in line with the overall scheme strategy, is designed to maintain the overall scheme within levels affordable to funding authorities. The impact of this change will be monitored throughout the year and reported to the Joint Committee.

Preparation of the Annual Accounts

The financial statements demonstrate SCTS sound stewardship of the public funds it controls and manages. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 2017 is shown on page 78.

The agreed budget for 2016/17 was £4.329 million (£4.482 million, 2015/16). Funding contributions from the 12 participating councils were agreed at £4.258 million with the balance of £0.07 million funded from reserves. This planned use of reserves reflects the agreed policy of the Joint Committee to reduce the level held in a sustainable and measured fashion.

Payments to operators in the year amounted to £3.956 million (£3.923 million, 2015/16). The final outturn inclusive of all costs and income is £4.235 million (£4.232 million, 2015/16) which is £0.094 million less than the original 2016/17 budget. This reflects a continuing control of costs since 2009/10 which is primarily due to the on-going success of the measures implemented since 2010/11 which were aimed at protecting the long-term sustainability of the scheme.

The success of these measures is despite the fact that the Joint Committee has no influence over either the number of journeys made by cardholders or the commercial fare levels set by operators. This means that the actual cost of running the scheme can vary substantially from the budgeted figure.

Balance Sheet

The Balance Sheet is shown on page 79 and provides details of SCTS's assets and liabilities as at 31 March 2017.

Cash Flow Statement

The Cash Flow Statement and the accompanying notes on page 80 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 81 shows the general reserves held by the SCTS as at 31 March 2017. The Joint Committee has in recent years implemented a policy of reducing the level of balances held to a level more commensurate with the local scheme costs. This action has been taken by the Joint Committee following consultation with the funding bodies. However, in 2016/17, the continued success of the cost saving measures implemented since 2010/11 resulted in an increase in reserves of £0.023 million. The Joint Committee has already approved a resource utilisation policy, which will see the overall level reduced in future years.

Membership of the Joint Committee

Details of representation on the Joint Committee at 31 March 2017 are shown on page 67. As a result of the recent local government elections the membership of the Joint Committee at the time of writing has yet to be finalised.

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

Valerie Davidson

Treasurer

29 September 2017

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 29 September 2017

Valerie Davidson

Assistant Chief Executive (Business Support)

29 September 2017

The Treasurer's responsibilities

The Treasurer is responsible for the preparation of the Scheme's statement of accounts in accordance with proper practices as required by legislation and as set out in CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("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 Joint Committee for the year ended 31 March 2017.

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.

Amendments to the Standing Orders Relating to Contracts, to reflect the Procurement Reform Act (Scotland) 2014, were approved by the Partnership at its meeting of 9 December 2016.

The Procurement Strategy 2016/18 was approved by the Partnership at its meeting of 9 December 2016.

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 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, annual accounts, 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.

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 2016/17 to promote and increase sustainable growth through the exercise of its functions.

The Regional Transport Strategy Delivery Plan 2014–2017 has a strong focus on the specific services, initiatives and projects which SPT seeks to deliver over this three year period. 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.

In accordance with the Regional Transport Strategy Delivery Plan, SPT presents Transport Outcomes Reports (TORs) for SPT's constituent councils and Community Planning Partnerships (CPPs) in accordance with their Single Outcome Agreements (SOAs).

The Regional Transport Strategy Delivery Plan is subject to review and Partnership approval in 2017/18.

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.

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

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

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

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

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

The Scheme of Delegated Functions was reviewed and updated in 2016/17 to reflect organisational change.

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 SCTS'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.

Amendments to the Financial Regulations were approved by the Partnership at its meeting of 9 December 2016.

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 (i.e. Annual statement on sustainable economic growth and Public Services Reform (Scotland) Act 2010 statements) from the website.

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

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

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

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 (Business Support) is the responsible officer and is a member of the SPT strategy group.

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

System of Internal Financial Control

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

This statement applies to the 2016/17 annual accounts for SCTS. 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 2016/17 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.

Valerie Davidson
Treasurer / Secretary
29 September 2017

Accounting Policies

The annual accounts for the year ended 31 March 2017 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 2016/17 (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 2016/17.

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 2017 have been matched and accounted for in the period to which they relate. Contributions from local authorities 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 2017 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 operators 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. Bank Balances

Bank balances are included in the balance sheet at the closing balance in the SCTS ledger.

7. 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.

8. 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.

9. 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 CIES in that year to score against the Surplus/Deficit on the Provision of Services. 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.

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.

Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

2015/16				2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000		Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000
3,923	0	3,923	Payments to Operators	3,956	0	3,956
331	0	331	Corporate Costs (note 1)	300	0	300
4,254	0	4,254	Cost Of Services	4,256	0	4,256
		(22)	Financing and Investment Income and Expenditure (note 2)			(21)
		(4,258)	Taxation and Non-Specific Grant Income (note 3)			(4,258)
		(26)	Surplus on Provision of Services			(23)
		0	Other Comprehensive Income and Expenditure			0
		(26)	Total Comprehensive Income and Expenditure			(23)

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

Balance Sheet as at 31 March 2017

31 March 2016 £000		Note	31 March 2017 £000
1,000	Short Term Investments	8	2,002
1,144	Cash and Cash Equivalents	7	720
1	Short Term Debtors	9	1
2,145	Current Assets		2,723
(478)	Short Term Creditors	10	(1,033)
(478)	Current Liabilities		(1,033)
1,667	Net Assets		1,690
(1,667)	Usable Reserves	4	(1,690)
(1,667)	Total Reserves		(1,690)

The unaudited accounts were issued on 23 June 2017 and the audited accounts were authorised for issue on 29 September 2017.

Signed on behalf of the Joint Committee:

Valerie Davidson
Treasurer / Secretary
29 September 2017

Cash Flow Statement for the year ended 31 March 2017

2015/16 £000		2016/17 £000
(26)	Net surplus on the provision of services	(23)
88	Adjustments to net surplus or deficit on the provision of services for non cash movements (note 5)	(555)
22	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21
84	Net cash flows from Operating Activities	(557)
(22)	Investing Activities (note 6)	981
62	Net decrease in cash and cash equivalents	424
1,206	Cash and cash equivalents at the beginning of the reporting period	1,144
1,144	Cash and cash equivalents at the end of the reporting period (note 7)	720

Movement in Reserves Statement 2016/17

**General
Fund
Balance
£000**

Balance at 31 March 2016

(1,667)

Movement in reserves during 2016/17

Total Comprehensive Income and Expenditure

(23)

(Increase) / Decrease in 2016/17

(23)

Balance at 31 March 2017 carried forward

(1,690)

Comparative figures for year ended 31 March 2016

**General
Fund
Balance
£000**

Balance at 31 March 2015

(1,641)

Movement in reserves during 2015/16

Total Comprehensive Income and Expenditure

(26)

(Increase) / Decrease in 2015/16

(26)

Balance at 31 March 2016 carried forward

(1,667)

Notes to the Financial Statements

1. Comprehensive Income and Expenditure Statement - Corporate Costs

2015/16 £000		2016/17 £000
201	Staff costs	176
5	Auditor's Remuneration	5
0	Members Allowances and Expenses	0
83	Other Costs	74
42	Postage Costs	45
331	Total	300

The average number of full time SPT staff dealing with the administration of the Scheme was 8 (2015/16: 9), including the issue of the national entitlement card.

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

2015/16 £000		2016/17 £000
(22)	Interest receivable and similar income	(21)
(22)	Total	(21)

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:

2015/16 £000		2016/17 £000
(176)	Argyll & Bute Council	(176)
(242)	East Ayrshire Council	(242)
(219)	East Dunbartonshire Council	(219)
(178)	East Renfrewshire Council	(178)
(1,052)	Glasgow City Council	(1,052)
(171)	Inverclyde Council	(171)
(283)	North Ayrshire Council	(283)
(575)	North Lanarkshire Council	(575)
(333)	Renfrewshire Council	(333)
(264)	South Ayrshire Council	(264)
(586)	South Lanarkshire Council	(586)
(179)	West Dunbartonshire Council	(179)
(4,258)	Total	(4,258)

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

2015/16 £000		2016/17 £000
(2)	(Decrease) / increase in debtors	0
90	(Increase) / decrease in creditors	(555)
88	Net cash inflow from revenue activities	(555)

6. Cash Flow Statement – Investing Activities

The cash flows for operating activities include the following items:

2015/16 £000		2016/17 £000
0	Other payments for investing activities	1,002
(22)	Interest Received (note 2)	(21)
<u>(22)</u>	Net cash flows from investing activities	<u>981</u>

7. Cash Flow Statement – Cash and Cash Equivalents

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

2015/16 £000		2016/17 £000
1,144	Bank current accounts	720
<u>1,144</u>	Total cash and cash equivalents	<u>720</u>

8. Short Term Investments

As at 31 March 2017, the Scheme had short-term investments of £2.002 million (2016: £1.000 million).

9. Short Term Debtors

As at 31 March 2017, the Scheme had debtors of £0.001 million (2016: £0.001 million). This is in respect of bank interest outstanding and amounts due from Strathclyde Partnership for Transport.

10. Short Term Creditors

2015/16 £000		2016/17 £000
139	Bodies external to general government	631
3	Other local authorities	69
336	Amounts due to SPT	333
<u>478</u>	Total	<u>1,033</u>

11. External Audit Costs

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

2015/16 £000		2016/17 £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
<u>5</u>	Total cash and cash equivalents	<u>5</u>

12. Related Party Transactions

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 2016/17 the 12 Local Authorities in Strathclyde provided funding totalling £4.258 million (2015/16: £4.258 million) in the form of requisition.

There is a balance of £0.069 million (2016: £0.003 million) within Short Term Creditors (note 10) which primarily relates to receipts in advance from North Ayrshire Council.

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 2016/17 SPT charged £0.295 million (2015/16: £0.325 million) to SCTS for the provision of administrative services. SCTS reimbursed SPT £0.244 million (2015/16: £0.272 million) for concessionary travel journeys made on the Subway.

There is a balance of £0.333 million (2016: £0.336 million) within Short Term Creditors (note 10) which relates to the administration charge owed to SPT and outstanding concessionary travel payments for the Subway.

13. Financial Instruments

SCTS is debt free and therefore currently has no debt related financial instruments disclosure requirements and the following disclosure covers all areas relevant to SCTS's activities.

Financial Instruments Gains / Losses / Expenses charged during 2016/17 (at amortised cost)

The gain incurred by SCTS in 2016/17 was an interest gain of £0.021 million. There was no expense as SCTS is debt free at present.

Nature and extent of risks 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.

Credit Risk

Credit risk arises from temporary deposits placed with banks and financial institutions, as well as credit exposure to SCTS's customers. SCTS through SPT maintain a formally approved counterparty list for these deposits, and investments are restricted to a prudent maximum amount for each financial institution.

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 2016 £000		Amount as at 31 March 2017 £000	Historical Experience of Non-payment Adjusted for Market Conditions %	Estimated Maximum Exposure to Default and Uncollectability £000
2,401	Deposits with banks and other financial institutions	2,722	0	0
0	Customers	0	0	0
2,401	Total	2,722		0

SCTS held no bank overdraft facility as at 31 March 2017. Trade creditors amounted to £1.033 million.

The requirement that current liabilities are to be recognised even if refinanced post balance sheet, or if the original life deems the liability to be long term, has been complied with.

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.

13. Financial Instruments (continued)

According to these investment strategies, as at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2016 £000	Estimated Financial Effect	31 March 2017 £000
(28)	Increase in interest receivable on variable rate investments	(31)
<u>(28)</u>	Net theoretical impact on I&E Account	<u>(31)</u>

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.

Further to the disclosures made in the preceding comments, a number of potential disclosures relating to Financial Instruments do not apply to SCTS for this financial year due to the limited complexity and profile of loans (none) and investments included in SCTS's annual accounts. These are summarised below:

- No reclassification of assets carrying value between fair value and amortised cost was made;
- No transfer of financial assets were made;
- No carrying value, or fair value of collateral was held;
- No credit losses on financial assets occurred;
- No defaults on loans payable occurred;
- No gain or loss on financial assets or liabilities at fair value were recorded in the CIES;
- There was no gain on loans and receivables;
- There was no gain or loss on financial liabilities at mortised cost;
- There was no gain or loss arising from impairment on any class of financial asset; SPT did not directly apply a fair value determination of financial instruments
- No carrying amount was estimated for short term receivables and payables;

- No offsetting of financial assets and liabilities occurred;
- There were no breaches of long term loan agreements that would have resulted in payment due in less than one year now being treated as current; and
- No current liabilities were rolled forward to a term longer than 12 months and treated as long term.

14. Events after the Balance Sheet Date

The annual accounts were authorised for issue by the Treasurer on 29 September 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

15. 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

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 approved by the Accounts Commission, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, Cash-Flow 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 2016/17 (the 2016/17 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the body as at 31 March 2017 and of its surplus on the provision of services 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 2016/17 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 in the UK and Ireland (ISAs (UK&I)). 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 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 Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Treasurer 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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the body and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made

by the Treasurer; and the overall presentation of the financial statements.

Our objectives are to achieve 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&I) 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.

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 in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report on other requirements

Opinions on other prescribed matters

We are required by the Accounts Commission to express an opinion on the following matters.

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; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Gary Devlin

For and on behalf of Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh EH3 8BL

September 2017

