

## **Audited Annual Accounts 2015/16**

### **1 Introduction**

- 1.1 The purpose of this report is to present to the Partnership Board the audited annual accounts for the year ended 31st March, 2016 and to recommend they are approved for signature. A copy of the audited annual accounts is appended to this report (Appendix 1).
- 1.2 The report also seeks Partnership Board approval to strike off SEStran Limited from Companies House register, given the inactive status of the company since incorporation in January 2010.

### **2 Main Report**

- 2.1 Audit Scotland, the Partnership's auditor, has concluded the audit of the financial statements for the year ended 31<sup>st</sup> March 2016. There are no qualifications to the audit certificate which appears on pages 44 and 45 of the accounts. The Auditor's opinion states that the financial statements present a true and fair view of the financial position of the Partnership as at 31st March 2016 and its income and expenditure for the year then ended.
- 2.2. The Management Commentary on pages 2 to 4 of the accounts highlights key aspects of financial performance during the year.
- 2.3. The Audit Scotland report to Members on the 2015/16 audit is considered separately on the agenda of this meeting of the Partnership Board. The audited annual accounts were considered at the Performance and Audit Committee meeting of 9<sup>th</sup> September 2016. The Chair of the Performance and Audit Committee will have an opportunity to report to the Board on any issue arising from the Performance and Audit Committee's consideration of the accounts.
- 2.4 Note 25 of the Audited Accounts makes reference to SEStran limited, a wholly owned limited company of the Partnership. The Partnership Board approved the setting up of SEStran Limited as a subsidiary of the Partnership at its meeting on 4th December 2009. Its purpose was to help manage the Partnership's finances more effectively in relation to the various planned revenue and income streams for forthcoming projects and for the company to be utilised as a joint venture partner or otherwise as a funding mechanism when the Partnership progressed externally-funded projects, particularly those involving partnership working with other EU bodies.
- 2.5 Since SEStran Limited's incorporation in January 2010, the Partnership has successfully delivered all externally funded projects without any requirement to utilise SEStran limited and the company has therefore remained inactive.
- 2.6 It is not anticipated that there will be any requirement to utilise SEStran Limited to deliver any planned future externally funded projects.
- 2.7 The Partnership Director and the Secretary to the Partnership have been consulted and it is the view of these officers that, given the inactivity of SEStan

Limited since incorporation and the anticipated future lack of activity, the Partnership approve the strike-off of SEStran Limited from Companies House register. There is a cost of £10 to strike-off a company from Companies House register.

### **3 Recommendations**

3.1 It is recommended that the Partnership Board:

3.1.1 note the audited annual accounts and the Auditor's opinion in the audit certificate to the accounts;

3.1.2 authorises the annual accounts for signature;

3.1.3 approve that SEStran Limited be struck-off from Companies House register.

**Hugh Dunn**  
Treasurer  
September 2016

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**Appendix**      Audited Annual Accounts 2015/16

**Contact/tel**      Iain Shaw, Tel: 0131 469 3117  
(iain.shaw@edinburgh.gov.uk)

Policy Implications	There are no policy implications arising as a result of this report.
Financial Implications	There are no financial implications arising following issue of an unqualified Audit certificate for the 2015/16 annual accounts.  There is a cost of £10 to strike-off a company from Companies House register.
Race Equalities Implications	There are no race equality implications arising as a result of this report.
Gender Equalities Implications	There are no gender equality implications arising as a result of this report.
Disability Equalities Implications	There are no disability equality implications arising as a result of this report.
Climate Change Implications	There are no climate change implications arising as a result of this report.

**The South East of Scotland  
Transport Partnership  
(SESTRAN)**

**Audited  
Annual Accounts**

**2015/2016**

# The South East of Scotland Transport Partnership (SESTRAN)

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# The South East of Scotland Transport Partnership (SESTRAN)

## Management Commentary

### 1. Basis of Accounts

The Partnership prepares its Annual Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. The Code of Practice is based on International Financial Reporting Standards (IFRS).

### 2. Statutory Background

The South East of Scotland Transport Partnership (SESTRAN) was established under the Regional Transport Partnerships (Establishment, Constitution and Membership) (Scotland) Order 2005. The Partnership came into force on 1st December 2005. Under Section 3 of the Transport (Scotland) Act 2005, the net expenses of SESTRAN, after allowing for government grant and any other income, are met by its constituent councils.

### 3. Corporate Strategy

The following is an introductory extract from the Transport (Scotland) Act 2005, which established the Partnership; one of seven Scottish Regional Transport Partnerships (RTPs):

“An Act of the Scottish Parliament to provide for the setting up and functions of the new transport bodies and to enable the Scottish Ministers to discharge certain transport functions; to provide further for the control and co-ordination of road works and for the enforcement of the duties placed on those who carry them out; to set up national concessionary fares schemes; and to make other, miscellaneous modifications of the law relating to transport.”

The Partnership aims to develop a sustainable transportation system for South East Scotland that will enable business to function effectively, and provide everyone living in the region with improved access to healthcare, education, public services and employment opportunities. These aims are embodied in the Regional Transport Strategy (RTS).

The constituent councils of the Partnership are the City of Edinburgh, Clackmannanshire, East Lothian, Falkirk, Fife, Midlothian, Scottish Borders and West Lothian.

SEStran’s Vision Statement is as follows:

“South East Scotland is a dynamic and growing area which aspires to become one of northern Europe’s leading economic regions. Essential to this is the development of a transport system which enables businesses to function effectively, allows all groups in society to share in the region’s success through high quality access to services and opportunities, respects the environment, and contributes to better health.”

### 4. Risks and Uncertainties

The principal risks and uncertainties faced by the Partnership fall into two categories.

Firstly, there is the funding uncertainty faced by all local authorities and RTPs. The Partnership has a range of statutory duties to enact. While every attempt is made to do this within the budget provided, budget reductions may make this less achievable resulting in a reduction in the quality of service provided.

The second category relates to changes in legislation leading to changes in the services to be delivered. This can create pressures from both a financial and organisational perspective.

### 5. Results for the Year

The Partnership is required to present its financial performance as a Comprehensive Income and Expenditure Statement. This can be seen on page 12. However, to show the net position of the Partnership and to allow comparison with the approved revenue budget, it is necessary to adjust the expenditure shown in the Comprehensive Income and Expenditure Statement to take account of a number of items where the statutory accounting requirements differ from the management accounting practice of the Partnership. These adjustments are detailed in Note 18.

# The South East of Scotland Transport Partnership (SESTRAN)

## Management Commentary (Contd.)

### 5. Results for the Year (Contd.)

The approved Revenue budget of the Partnership in 2015/16 was £3.164m. A comparison of the outturn position with the revised budget is summarised below:

	Revised Budget	Outturn	Variance
	£'000	£'000	£'000
Core Service	549	544	(5)
Revenue Projects	1,384	1,380	(4)
Capital Project	1,230	1,042	(188)
Interest	1	0	(1)
<b>Total Expenditure 2015/16</b>	<b>3,164</b>	<b>2,966</b>	<b>(198)</b>
Government Grant	(782)	(782)	0
Constituent Council Requisitions	(200)	(113)	87
Other Income - Revenue Projects	(1,044)	(1,157)	(113)
Other Income - Capital Project	(1,138)	(910)	228
Other Income - Conference	0	(5)	(5)
<b>Total Income 2015/16</b>	<b>(3,164)</b>	<b>(2,966)</b>	<b>198</b>

The Partnership incurred core service expenditure of £0.544m which was £5,000 below the revised Core Service revenue budget. Interest paid by the Partnership was £1,000 below budget.

The Partnership incurred net expenditure of £0.223m on revenue projects which was £117,000 under budget. This underspend reflected reduced expenditure on EU Projects (£0.045m) and Other Projects (£0.072m).

The Partnership received unbudgeted income from a conference of £5,000.

The Partnership also incurred expenditure of £1.042m on the RTPI capital project, funded principally by income from bus operators, the Bus Investment Fund and by the Partnership's underspend on the 2014/15 Revenue budget (see below).

Overall the Partnership had an underspend against the revenue budget of £87,000 which the Board, at its meeting on 4th December 2015, agreed would be used to meet future commitments on the RTPI project.

The Partnership carried forward a balance of £29,000 from an underspend on the 2014/15 Revenue budget for the RTPI project. During 2015/16, the Partnership claimed £776,000 from the Scottish Government's Bus Investment Fund in respect of expenditure on the RTPI capital project. The Partnership used both these funding contributions towards the project during 2015/16.

The Partnership spent £633,000 on vehicles, plant and equipment in 2015/16 towards operational equipment for the regional real-time bus passenger travel information system.

### Non Financial Results

SEStran's Real Time Passenger Information (RTPI) programme was further expanded during 2015/16. During this year the system was modified to take RTPI from new ticket machines installed by Stagecoach. The on-bus equipment no longer required by Stagecoach was transferred to the First Scotland, East fleet; therefore all Stagecoach and First Buses operating within the SEStran area are now equipped with the RTPI facility. In addition, almost 150 TV screens, also showing RTPI, have been distributed throughout public buildings in the SEStran region.

SEStran has operated the Sustrans funded Regional Cycle Network Grant Scheme throughout financial year 2015/16 to encourage the development of the cycle network throughout the region. The funding has been used for various projects, including feasibility studies carried out in West Lothian, East Lothian, Fife and Edinburgh. An alternative region wide feasibility study was undertaken by Young Scot by engaging young people - the future users of the network. Infrastructure improvements include lighting projects in East Lothian and Edinburgh and signage improvements in Clackmannanshire and West Lothian. Finally, Falkirk Council installed cycle counters in order to monitor the number of cyclists.

Under the Sustainable Travel Awareness heading, grants of value between £3,000 to £25,000 have been awarded to Scottish Borders Council, Edinburgh University, Edinburgh College and "Changeworks".

Two European projects continued in 2015/16; the first entitled "Chums" and the second "Socialcar", both dealing with car pooling and linking to public transport. A third, mode sharing project entitled "Share-north", was won and initiated during 2015/16.

# The South East of Scotland Transport Partnership (SESTRAN)

## Management Commentary (Contd.)

### 6. Future Developments

On 18th March 2016, the Partnership's Board agreed a revenue budget for 2016/17, which made provision for £0.551m of core service costs and £1.069m of project expenditure in support of Regional Transport Strategy projects. The budget estimates £1.069m of external funding will be available for projects, of which £0.173m is for capital funded projects.

In recognition of the current financial constraints faced by public sector organisations, the 2016/17 budget makes provision for no increase in constituent council requisitions. Council and Scottish Government funding is confirmed for a period of one year. The Partnership is working towards identifying further cashable efficiency savings for 2017/18.

Where adequate funding is not forthcoming to be able to deliver the full RTS, the desired achievements will not be possible or, at best, be delayed.

However, the Partnership has proved to be resourceful in 2015/16 and in previous years in attracting additional funding. The Partnership intends, in future, to continue that trend and will take every opportunity to pursue avenues of potentially available sources of funding.

It is considered appropriate to adopt a going concern basis for the preparation of the Annual Accounts.

Chair of Partnership Board: LESLEY HINDS \_\_\_\_\_ Date signed: \_\_\_\_\_

Partnership Director: GEORGE ECKTON \_\_\_\_\_ Date signed: \_\_\_\_\_

Treasurer: HUGH DUNN, CPFA \_\_\_\_\_ Date signed: \_\_\_\_\_

# The South East of Scotland Transport Partnership (SESTRAN)

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Partnership's Responsibilities

The Partnership is required:

- to make arrangements for the proper administration of its financial affairs and to secure that the proper officer has the responsibility for the administration of those affairs. In this Partnership, that officer is the Treasurer;
- to manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets;
- to 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 in Scotland Act 2003);
- to approve the Annual Accounts.

Chair of Partnership

Board:

LESLEY HINDS

Date signed: \_\_\_\_\_

### The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Partnership's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing the Annual Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation;
- complied with the Local Authority Accounting Code (in so far it is compatible with legislation)

The Treasurer has also:

- kept adequate accounting records which were up to date;
- 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 Partnership at the reporting date and the transactions of the Partnership for the year ended 31st March 2016.

Treasurer:

HUGH DUNN, CPFA

Date signed: \_\_\_\_\_

# The South East of Scotland Transport Partnership (SESTRAN)

## ANNUAL GOVERNANCE STATEMENT 2015/16

### 1. Scope of Responsibility

The South East of Scotland Transport Partnership's aim is to develop a transportation system for South East Scotland, as outlined in the Partnership's Regional Transport Strategy 2008 - 2023.

The Partnership is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded and properly accounted for and used economically, efficiently, effectively and ethically. The Partnership also has a duty to make arrangements to secure continuous improvement in the way its functions are carried out.

In discharging these overall responsibilities, Elected Members and Senior Officers are responsible for implementing proper arrangements for the governance of the Partnership's affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Partnership has approved and adopted a Local Code of Corporate Governance which is consistent with appropriate corporate governance principles and is supported by detailed evidence of compliance, which is regularly reviewed.

This statement explains how the Partnership delivers good governance and reviews the effectiveness of these arrangements. It also includes a statement on internal financial control in accordance with proper practice.

The Partnership's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

### 2. The Partnership's Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Partnership is directed and controlled, and its activities through which it accounts to, engages with and influences 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 services.

The framework reflects the arrangements in place to meet the six supporting principles of effective corporate governance:

- Focusing on the purpose of the Partnership and on outcomes for the community, and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Partnership and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

A significant part of the governance framework is the system of internal control which is based on an ongoing process designed to identify and manage the risks to the achievement of the Partnership's policies, aims and objectives. These are defined in the Partnership's Business Plan, which is updated annually. This will enable the Partnership to manage its key risks efficiently, effectively, economically and ethically.

# The South East of Scotland Transport Partnership (SESTRAN)

## ANNUAL GOVERNANCE STATEMENT 2015/16 (contd.)

Within the overall control arrangements the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period. It is based on a framework of regular management information, financial regulations, administrative procedures and management supervision.

While the system of internal control is designed to manage risk at a reasonable level it cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness.

### 3. Determining the Partnership's purpose, its vision for the local area and intended outcomes for the Community

The Partnership aims to develop a transportation system for South East Scotland which will enable business to function effectively and provide everyone living in the Region with improved access to health care, education, public services and employment opportunities. The vision for achieving this is outlined in the Regional Transport Strategy.

The Business Plan defines how to implement the aims of this strategy and the Annual Report provides a report of performance against objectives, targets and performance indicators as outlined in the Regional Transport Strategy.

### 4. Review of Effectiveness

The Partnership has put in place arrangements, detailed in the Local Code, for monitoring each element of the framework and providing evidence of compliance. A Principal Officer within the Partnership has been nominated to review the effectiveness of the Local Code and will report annually to the Partnership Board.

The review of the effectiveness of its governance framework including the system of internal financial control is informed by:

- the work of the Internal Auditors and the Head of Internal Audit's Annual Statement on the adequacy and effectiveness of the Partnership's system of internal financial control;
- the Partnership Director's Certificate of Assurance on internal control;
- the operation and monitoring of controls by Partnership managers;
- the External Auditors in their Annual Audit Report and other reports; and
- other inspection agencies comments and reports.

Through the year Elected Members and Officers have responsibility for the development and maintenance of the governance environment. These review mechanisms include:

- **The Partnership Board** provides strategic leadership, determines policy aims and objectives and takes executive decisions not delegated to officers. It provides political accountability for the Partnership's performance.
- **The Performance and Audit Committee** demonstrates the Partnership's commitment to the principles of good governance. It scrutinises the running of the Partnership and suggests improvements.

# The South East of Scotland Transport Partnership (SESTRAN)

## ANNUAL GOVERNANCE STATEMENT 2015/16 (contd.)

### 4. Review of Effectiveness (continued)

- **Internal Audit** provides an independent and objective assurance service to the Partnership by completing a programme of reviews throughout the year, to provide an opinion on the internal control, risk management and governance arrangements of South East of Scotland Transport Partnership.
- **Audit Scotland's Annual Audit Report** is considered by the Partnership Board and the Performance and Audit Committee along with the output from other external audits and inspections.
- **The Risk Management System** requires that risks are regularly reviewed by the Performance and Audit Committee and the Board. This ensures that actions are taken to effectively manage the Partnership's highest risks.
- **The Legal Officer** is responsible to the Partnership for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

### 5. Certification

In compliance with accounting practice, the Treasurer has provided the Partnership Director with a statement on the adequacy and effectiveness of the Partnership's internal financial control system for the year ended 31st March 2016. For the period 4 December 2015 to 31 March 2016, SEStran did not have an appointed chair person, as provided for in the Regional Transport Partnership (Scotland) Order 2005, having appointed a senior vice-chair person for the duration of this period and beyond to 1st July 2016, This matter was identified by Internal Audit in its Annual Report and was fully rectified on 1 July 2016 when Councillor Lesley Hinds was appointed as Chairperson. Given the rectification measures implemented, it is the Treasurer's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Partnership's internal control system.

During the year the Head of Internal Audit reviewed the robustness of the current corporate governance arrangements and systems of internal control and his findings are included in the Head of Internal Audit's Annual Report.

From this year's review there is evidence that the Code is operating effectively with overall compliance by the Partnership in all significant areas of its corporate governance arrangements.

Chair of Partnership Board: LESLEY HINDS \_\_\_\_\_ Date signed: \_\_\_\_\_

Partnership Director: GEORGE ECKTON \_\_\_\_\_ Date signed: \_\_\_\_\_

# The South East of Scotland Transport Partnership (SESTRAN)

## REMUNERATION REPORT

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### 1. Remuneration Policy for Senior Employees

The Partnership's Board determines initial remuneration for the senior employees with reference to the level of responsibility of the post. The Partnership does not operate a Remuneration Committee.

Annual inflationary increases are based on those agreed by the Scottish Joint Negotiating Committee for Chief Officials of Local Authorities (Scotland).

### 2. Remuneration for Senior Councillors

The Partnership does not provide any remuneration to senior councillors.

Expenses paid to Board members are detailed in note 17 to the annual accounts.

### 3. Management of Remuneration Arrangements

The remuneration of the Partnership's employees is managed by the City of Edinburgh Council, as part of a service level agreement with the Partnership.

### 4. Officers Remuneration

The numbers of employees whose remuneration during the year exceeded £50,000 were as follows:

Remuneration Bands	2015/16	2014/15
£50,000 - £54,999	1	1
£85,000 - £89,999	0	1
£90,000 - £94,999	1	0

### 5. Senior Employees Remuneration

The remuneration paid to the Partnership's senior employee is as follows:

Name and Post Title	Salary, Fees and Allowances £'000	Total Remuneration 2015/16 £'000	Total Remuneration 2014/15 £'000
Alex Macaulay - Partnership Director	91	91	88
	91	91	88

The senior employee in the above table has responsibility for management of the Partnership to the extent that he has power to direct or control the major activities of the Partnership (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons.

### 6. Senior Employees Pension Entitlement

The pension entitlement of the Partnership's senior employee is as follows:

Name and Post Title	In-year pension contributions			Accrued pension benefits	
	2015/16 £'000	2014/15 £'000		As at 31 March 2016 £'000	Difference from 31 March 2015 £'000
Alex Macaulay - Partnership Director	19	20	Pension Lump Sum	14 9	3 1
	19	20			

The senior employee shown in table above is a member of the Local Government Pension Scheme (LGPS).

# The South East of Scotland Transport Partnership (SESTRAN)

## REMUNERATION REPORT (contd.)

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### 6. Senior Employees Pension Entitlement (contd.)

THE LGPS is a final salary pension scheme.

This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

The scheme's normal retirement age for employees is 65.

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 contribution rates were set at 6% for all non manual employees.

The tiers and members contributions rates for 2015-16 are as follows:

On earnings up to and including £20,500 (5.5%), on earnings above £20,500 and up to £25,000 (7.25%), on earnings above £25,000 and up to £34,400 (8.5%), on earnings above £34,400 and up to £45,800 (9.5%) and on earnings above £45,800 (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 lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (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).

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.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total Regional Transport Partnership service.

### 7. Exit Packages

Exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

There was no payment of any Exit Packages in 2015-16.

All information disclosed in the tables at paragraphs 4, 5 and 6 in this Remuneration Report will be audited by Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the annual accounts.

Chair of Partnership  
Board:

LESLEY HINDS

\_\_\_\_\_

Date signed:

\_\_\_\_\_

Partnership Director:

GEORGE ECKTON

\_\_\_\_\_

Date signed:

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# The South East of Scotland Transport Partnership (SESTRAN)

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on different reserves held by the Partnership, analysed into "Usable Reserves" (that is, those that can be applied to fund expenditure) and "Unusable Reserves". The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Partnership's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Partnership.

### 2014/15 - Previous Year Year Comparative

**1** Opening Balances at 1 April 2014

**2** Movement in reserves during 2014/15

Surplus or (Deficit) on Provision of Services  
Other Comprehensive Expenditure and Income

**Total Comprehensive Expenditure and Income**

**3** Adjustments between accounting basis & funding basis under regulations (Note 6)

Net increase/decrease before transfers to Earmarked Reserves

**4** Transfers to/from Earmarked Reserves

Increase/Decrease in 2014/15

Balance at 31 March 2015 carried forward

Usable Reserves		Unusable Reserves	Total Partnership Reserves
General Fund Balance	Total Usable Reserves		
£'000	£'000	£'000	£'000
0	0	3,687	3,687
(57)	(57)	0	(57)
0	0	(19)	(19)
<b>(57)</b>	<b>(57)</b>	<b>(19)</b>	<b>(76)</b>
57	57	(57)	0
0	0	(76)	(76)
0	0	0	0
0	0	(76)	(76)
0	0	3,611	3,611

### 2015/16 - Current Financial Year

**1** Opening Balances at 1 April 2015

**2** Movement in reserves during 2015/16

Surplus or (Deficit) on Provision of Services  
Other Comprehensive Expenditure and Income

**Total Comprehensive Expenditure and Income**

**3** Adjustments between accounting basis & funding basis under regulations (Note 6)

Net increase/decrease before transfers to Earmarked Reserves

**4** Transfers to/from Earmarked Reserves

Increase/Decrease in 2015/16

Balance at 31 March 2016 carried forward

Usable Reserves		Unusable Reserves	Total Partnership Reserves
General Fund Balance	Total Usable Reserves		
£'000	£'000	£'000	£'000
0	0	3,611	3,611
(297)	(297)	0	(297)
0	0	211	211
<b>(297)</b>	<b>(297)</b>	<b>211</b>	<b>(86)</b>
297	297	(297)	0
0	0	(86)	(86)
0	0	0	0
0	0	(86)	(86)
0	0	3,525	3,525

# The South East of Scotland Transport Partnership (SESTRAN)

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2015/16

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded by government grant, council requisitions and other income.

2014/15

2015/16

Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Services	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
2,036	-1,066	970	Highways and Transport Services	3,226	-2,071	1,155
25	0	25	Corporate and Democratic Core	25	0	25
0	0	0	Non Distributed (Gains) / Costs	0	0	0
<b>2,061</b>	<b>(1,066)</b>	<b>995</b>	<b>Cost Of Services</b>	<b>3,251</b>	<b>(2,071)</b>	<b>1,180</b>
0	0	0	Other Operating Expenditure	0	0	0
73	-58	15	Financing & Investment Income (Note 8)	59	-47	12
0	-953	(953)	Taxation and Non-Specific Grant Income (Note 9)	0	-895	(895)
<b>2,134</b>	<b>(2,077)</b>	<b>57</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>3,310</b>	<b>(3,013)</b>	<b>297</b>
			<b>Other Comprehensive Income and Expenditure</b>			
66	0	66	Change in Demographic Assumptions	0	0	0
185	0	185	Change in Financial Assumptions	0	-158	(158)
0	(234)	(234)	Other Experience	0	-28	(28)
2	0	2	Expected Return on Assets	0	-25	(25)
<b>253</b>	<b>(234)</b>	<b>19</b>	<b>Total Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>(211)</b>	<b>(211)</b>
<b>2,387</b>	<b>(2,311)</b>	<b>76</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>3,310</b>	<b>(3,224)</b>	<b>86</b>

# The South East of Scotland Transport Partnership (SESTRAN)

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Partnership. The net assets of the Partnership (assets less liabilities) are matched by the reserves held by the Partnership. Reserves are reported in two categories. The first category of reserves are usable reserves, that is, those reserves that the Partnership may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The Partnership does not have powers to maintain a usable reserve. The second category of reserves are those that the Partnership is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example, the Capital Adjustment Account Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 March 2015 £'000		Notes	31 March 2016 £'000
3,990	Property, plant and equipment	10.1	3,716
<b>3,990</b>	<b>Long term assets</b>		<b>3,716</b>
1,294	Short-term debtors	12	1,204
84	Cash and cash equivalents	13	41
<b>1,378</b>	<b>Current assets</b>		<b>1,245</b>
0	Contributions and Grants Received in Advance		(145)
(1,384)	Short-term creditors	14	(1,102)
<b>(1,384)</b>	<b>Current liabilities</b>		<b>(1,247)</b>
-373	Other long-term liabilities (Pensions)	16.2	(189)
<b>(373)</b>	<b>Long-term liabilities</b>		<b>(189)</b>
<b>3,611</b>	<b>Net assets/ (liabilities)</b>		<b>3,525</b>
	<b>Financed by:</b>		
0	Usable reserves	15	0
3,611	Unusable reserves	16	3,525
<b>3,611</b>	<b>Total reserves</b>		<b>3,525</b>

The unaudited annual accounts were authorised for issue on the 17th June 2016 by the Treasurer to the Board, Hugh Dunn.  
The audited annual accounts were authorised for issue by the Treasurer to the Board, Hugh Dunn on 23rd September 2016.

Treasurer: HUGH DUNN, CPFA

Date signed: \_\_\_\_\_

# The South East of Scotland Transport Partnership (SESTRAN)

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Partnership during the reporting period. The statement shows how the Partnership generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flow arising from operating activities is a key indicator of the extent to which the operations of the Partnership are funded by way of government grant income, council requisitions and recipients of services provided by the Partnership. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Partnership's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is, borrowing) to the Partnership.

Re-stated			31 March	31 March
31 March	31 March		2016	2016
2015	2015		£'000	£'000
£'000	£'000			
		<b>OPERATING ACTIVITIES</b>		
(885) *		Government Grants	(1,264)	
(200)		Constituent Council Requisitions	(171)	
1		Interest paid/ (received)	1	
(235) *		Other receipts from operating activities	(1,916)	
	<b>(1,319)</b>	<b>Cash inflows generated from operating activities</b>		<b>(3,350)</b>
410		Cash paid to and on behalf of employees	465	
197 *		Cash paid to suppliers of goods and services	2,295	
	<b>607</b>	<b>Cash outflows generated from operating activities</b>		<b>2,760</b>
	<b>(712)</b>	<b>Net cash flows from operating activities</b>		<b>(590)</b>
		<b>INVESTING ACTIVITIES</b>		
638		Purchase of property, plant and equipment	633	
	<b>638</b>	<b>Net cash flows from investing activities</b>		<b>633</b>
		<b>FINANCING ACTIVITIES</b>		
0		Other receipts from financing activities	0	
	<b>0</b>	<b>Net cash flows from financing activities</b>		<b>0</b>
	<b>(74)</b>	<b>Net( increase)/ decrease in cash and cash equivalents</b>		<b>43</b>
	<b>10</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>84</b>
	<b>84</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 13)</b>		<b>41</b>

\* Following review, some elements of prior year income and expenditure within operating activities have been re-classified to ensure consistency with the 2015/16 presentation.

# The South East of Scotland Transport Partnership (SESTRAN)

## 1. STATEMENT OF ACCOUNTING POLICIES

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### 1.1 Accounting Policies

The Annual Accounts summarises the Partnership's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Partnership is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and CIPFA's Service Reporting Code of Practice 2015/16 (SERCOP), supported by International Financial Reporting Standards (IFRS).

The Annual Accounts have been prepared on an historic cost basis.

### 1.2 Accruals of Expenditure and Income

The revenue account has been prepared on an accruals basis in accordance with the Code of Practice. Amounts estimated to be due to or from the Partnership, which are still outstanding at the year end, are included in the accounts. Government Grants have been accounted for on an accruals basis.

### 1.3 Operating Leases

#### a) *Leased-in assets*

Rental payments under operating leases are charged to the Comprehensive Income and Expenditure Statement on a straight line basis over the life of the lease.

#### b) *Leased-out assets*

The Partnership has not identified any leased-out assets that fall under the definition of operating leases.

### 1.4 Overheads

The cost of service in the Comprehensive Income and Expenditure Statement includes the Partnership's overheads.

### 1.5 Charges to the Comprehensive Income and Expenditure Statement for use of non-current assets

Charges are made to the Comprehensive Income and Expenditure Statement for the use of non-current assets, through depreciation charges. The aggregate charge to individual services is determined on the basis of the assets used in each service.

# The South East of Scotland Transport Partnership (SESTRAN)

## 1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

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### 1.6 Employee Benefits

#### Pensions

The Partnership is an admitted body to the Local Government Pension Scheme (LGPS) which is administered by the Lothian Pension Fund. The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

The Annual Accounts have been prepared including pension costs, as determined under International Accounting Standard 19 – Employee Benefits (IAS 19). The cost of service in the Comprehensive Income and Expenditure Statement includes expenditure equivalent to the amount of retirement benefits the Partnership has committed to during the year. Pensions interest cost and the expected return on pension assets have been included in the “Surplus or Deficit on the Provision of Services” within the Comprehensive Income and Expenditure Statement.

The pension costs charged to the Comprehensive Income and Expenditure Statement in respect of employees are not equal to contributions paid to the funded scheme for employees. The amount by which pension costs under IAS19 are different from the contributions due under the pension scheme regulations are disclosed in the Movement in Reserves Statement for the General Fund.

Pension assets have been valued at bid value (purchase price), as required under IAS19.

Under pension regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund.

#### Accruals of Holiday Leave

Cost of service includes a charge for annual leave to which employees are entitled, but have not taken as at the Balance Sheet date. The Partnership is not required to raise requisitions on constituent councils to cover the cost of accrued annual leave. These costs are therefore replaced by revenue provision in the Movement in Reserves Statement for the General Fund balance by way of an adjusting transaction with the Accumulated Absence Account.

### 1.7 Non Current Assets

#### a) *Intangible Assets*

Expenditure on assets that have no physical substance but are identifiable and controlled by the Partnership have been capitalised where a benefit of more than one financial year can be established. The balance is depreciated over the economic life of the asset to reflect the pattern of consumption of benefits. Intangible assets have been valued on an historic cost basis.

#### b) *Property, Plant and Equipment*

Property, Plant and Equipment is categorised into the following classes:

- Vehicles, plant and equipment;
- Assets under construction;

#### Recognition:

- Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment has been capitalised on an accruals basis;

# The South East of Scotland Transport Partnership (SESTRAN)

## 1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

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### 1.7 Non Current Assets (contd)

#### b) *Property, Plant and Equipment*

##### **Depreciation:**

- Depreciation is provided on all Property, Plant and Equipment;
- The Partnership does not depreciate its Property, Plant and Equipment in the year of acquisition. Thereafter depreciation is provided on a straight line basis over the expected life of the asset. No depreciation is provided on Assets Under Construction.

##### **Measurement:**

Property, Plant and Equipment are included in the Balance Sheet at the lower of net current replacement cost or net realisable value in existing use, net of depreciation.

### 1.8 Government Grants and Other Contributions

Grants and other contributions relating to non-current assets are credited to a Capital Adjustment Account and written off to the Comprehensive Income and Expenditure Statement in line with the depreciation policy of the related assets.

Where there are conditions attached to capital grants and contributions that have not been met at the Balance Sheet date, the grant or contribution will be recognised as part of the Capital Grants Unapplied Account. Once the condition has been met, the grant or contribution will be transferred from the Capital Grants Unapplied Account and recognised as income in the Comprehensive Income and Expenditure Statement.

### 1.9 Provisions

Provisions are made for liabilities of uncertain timing or amount that have been incurred.

The value of provisions is based upon the Partnership's obligations arising from past events, the probability that a transfer of economic benefit will take place, and a reasonable estimate of the obligation.

### 1.10 Reserves

Reserves held on the Balance Sheet are classified as either usable or unusable. Unusable reserves cannot be applied to fund expenditure. Under the Transport (Scotland) Act 2005, the Partnership does not have the power to operate a General Fund reserve.

The Partnership operates the following unusable reserves:

#### a) *Pension Reserve*

The Partnership operates a Pensions Reserve Fund under the terms of the Local Government Pension Reserve Fund (Scotland) Regulations 2003. The Pension Reserve represents the net monies which the Partnership requires to meet its net pension liability as calculated under IAS 19, Employee Benefits.

# The South East of Scotland Transport Partnership (SESTRAN)

## 1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

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### 1.10 Reserves (contd)

#### b) *Capital Adjustment Account*

The Capital Adjustment Account represents movement in the funding of assets arising either from capital resources such as capital receipts, or capital funded directly from revenue contributions.

#### c) *Accumulated Absences Account*

This represents the net monies which the Partnership requires to meet its short-term compensated absences for employees under IAS19.

### 1.11 Financial Instruments

#### *Financial Assets*

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Surplus funds held on behalf of the Partnership are managed by the City of Edinburgh Council under a formal management agreement in a pooled investment arrangement.

### 1.12 Cash and Cash Equivalents

Cash and cash equivalents include:

- Credit and debit funds held in banks

### 1.13 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Partnership a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Partnership.

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

### 1.14 Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs.

### 1.15 Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue.

Two types of events can be identified:

i) those that provide evidence of conditions that existed at the end of the reporting period - the Annual Accounts are adjusted to reflect such events;

ii) those that are indicative of conditions that arose after the reporting period - the Annual Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

# The South East of Scotland Transport Partnership (SESTRAN)

## 1. STATEMENT OF ACCOUNTING POLICIES (Contd.)

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### 1.16 Short term Debtors and short term Creditors

The revenue transactions of the Partnership are recorded on an accruals basis which means that amounts due to or from the Partnership, but still outstanding at the year end, are included in the accounts. Where there was insufficient information available to provide actual figures, estimates have been included.

### 1.17 Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Partnership's financial position or performance.

Changes in accounting estimates are accounted for prospectively; i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

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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 2016/17 Code:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions).
- Annual Improvements to IFRSs 2010 – 2012 Cycle .
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations).
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation).
- Annual Improvements to IFRSs 2012 – 2014 Cycle.
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative).
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

Overall, the above amendments are not expected to have a material impact on the Annual Accounts.

However, in the 2016/17 year the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements as a result of the Telling the Story review of the presentation of local authority financial statements.

# The South East of Scotland Transport Partnership (SESTRAN)

## 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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In applying the accounting policies set out in Note 1, the Partnership 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:

- There is high degree of uncertainty about future levels of funding for local government.  
The Partnership has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Partnership might be impaired as a result of a need to reduce levels of service provision.

## 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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The Annual Accounts contains estimated figures that are based on assumptions made by the Partnership about the future or events 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 items in the Partnership's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forth coming financial year are:

### 4.1 Pension Liabilities

#### *Uncertainties*

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 salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Partnership with expert advice about the assumptions to be applied.

#### *Effect if Actual Result Differs from Assumptions*

The effects on the net pensions liability of changes in individual assumptions can be measured.

For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £164,000.

However, the assumptions interact in complex ways. During 2015/16, the Partnership's actuaries advised that the net pensions liability had decreased by £184,000. This is as a result of an increase in the net discount rate over this period, the positive impact of which has outweighed the likely lower than expected asset returns.

## 5. EVENTS AFTER THE BALANCE SHEET DATE

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The Unaudited Annual Accounts were authorised for issue on 17 June 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events, which took place after 31 March 2016, as the event provides information that is relevant to an understanding of the Partnerships's financial position, but does not relate to conditions at that date:

- On 25th May 2016, First Scotland East Ltd announced proposals to cease bus operations in East Lothian from 14 August 2016, close depots in North Berwick and Musselburgh and reduce services in the Scottish Borders. The Partnership has equipped approximately 350 buses in the First Scotland East fleet with Real Time Passenger information equipment. At the date of issue of the Audited Annual Accounts, it is anticipated that 40 sets of Real Time Passenger Information equipment will be returned to the Partnership by First Scotland East Ltd, as a consequence of the cessation of these services. The Partnership will explore options with other bus companies to redeploy this equipment in the SEStran area.
- The Partnership's Director, Alex Macaulay, retired on 30 April 2016. The new Partnership Director, George Eckton, was appointed in April and took up his duties on 1 June 2016.

## The South East of Scotland Transport Partnership (SESTRAN)

### 6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Partnership in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Partnership to meet future capital and revenue expenditure.

2015/16	Usable Reserves		Unusable Reserves		
	General Fund Balance	Capital Adjustment Account	Accumulated Absence Account	Pension Reserve	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the <u>Capital Adjustment Account</u></b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Charges for depreciation and impairment of non-current assets	907	(907)			(907)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Contributions credited to the CIES that have been applied to capital financing	(633)	633			633
<b>Adjustments primarily involving the <u>Pensions Reserve</u></b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	85			(85)	(85)
Employer's pension contributions and direct payments to pensioners payable in the year	(58)			58	58
<b>Adjustments primarily involving the <u>Accumulated Absence Account</u></b>					
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	(4)		4		4
<b>Total Adjustments</b>	<b>297</b>	<b>(274)</b>	<b>4</b>	<b>(27)</b>	<b>(297)</b>

## The South East of Scotland Transport Partnership (SESTRAN)

### 6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (Contd.)

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Partnership in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Partnership to meet future capital and revenue expenditure.

2014/15	Usable Reserves		Unusable Reserves		
	General Fund Balance	Capital Adjustment Account	Accumulated Absence Account	Pension Reserve	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Charges for depreciation and impairment of non-current assets	675	(675)			(675)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Contributions credited to the CIES that have been applied to capital financing	(638)	638			638
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	78			(78)	(78)
Employer's pension contributions and direct payments to pensioners payable in the year	(56)			56	56
<b>Adjustments primarily involving the Accumulated Absence Account</b>					
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	(2)		2		2
<b>Total Adjustments</b>	<b>57</b>	<b>(37)</b>	<b>2</b>	<b>(22)</b>	<b>(57)</b>

# The South East of Scotland Transport Partnership (SESTRAN)

## 7. TRANSFERS TO/FROM EARMARKED RESERVES

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The Partnership does not have powers for an earmarked reserve to be set aside from the General Fund to provide financing for future expenditure plans.

## 8. FINANCING AND INVESTMENT INCOME

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	<b>2015/16</b> <b>£'000</b>	<b>2014/15</b> <b>£'000</b>
Interest income on plan assets	(47)	(58)
Pensions interest cost	59	72
Other Interest	0	1
	<hr/>	<hr/>
	12	15
	<hr/>	<hr/>

## 9. TAXATION AND NON SPECIFIC GRANT INCOMES

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	<b>2015/16</b> <b>£'000</b>	<b>2014/15</b> <b>£'000</b>
Government Grant	(782)	(782)
Constituent Council Requisitions	(113)	(171)
	<hr/>	<hr/>
	(895)	(953)
	<hr/>	<hr/>

# The South East of Scotland Transport Partnership (SESTRAN)

## 10. PROPERTY, PLANT AND EQUIPMENT

### 10.1 Movements on balances:

#### Movements in 2015/16

Cost or Valuation	Vehicles Plant and Equipment £'000	Assets Under Construction £'000	Property Plant and Equipment £'000
At 1st April 2015	4,734	130	4,864
Additions	633	0	633
Revaluation increases/(decreases) recognised in Revaluation Reserve	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0
Other movements	130	(130)	0
At 31st March 2016	5,497	0	5,497
<b>Accumulated Depreciation</b>			
At 1st April 2015	(874)	0	(874)
Depreciation charge	(907)	0	(907)
Depreciation written out to Revaluation Reserve	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0
Derecognition - disposals	0	0	0
Other movements in depreciation	0	0	0
At 31st March 2016	(1,781)	0	(1,781)
<b>Net Book Value</b>			
· at 31st March 2016	3,716	0	3,716
· at 31st March 2015	3,860	130	3,990

# The South East of Scotland Transport Partnership (SESTRAN)

## 10. PROPERTY, PLANT AND EQUIPMENT (Contd.)

### 10.2 Movements on balances:

#### Comparative Movements in 2014/15

Cost or Valuation	Vehicles Plant and Equipment £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
At 1st April 2014	3,578	648	4,226
Additions	508	130	638
Revaluation increases/(decreases) recognised in Revaluation Reserve	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0
Other movements	648	(648)	0
At 31st March 2015	4,734	130	4,864
<b>Accumulated Depreciation</b>			
At 1st April 2014	(199)	0	(199)
Depreciation charge	(675)	0	(675)
Other movements in depreciation	0	0	0
At 31st March 2015	(874)	0	(874)

### 10.3 Depreciation

The following useful lives have been used in the calculation of depreciation:

- Vehicles, plant and equipment: 4 - 5 years

The Partnership does not depreciate its Property, Plant and Equipment in the year of acquisition.

### 10.4 Capital Commitments

Having purchased and stored digital display equipment during 2015/16, work will continue during 2016/17 to roll-out the facility into more public buildings throughout the region, at a cost of £47,000.

It is also intended to bring a number of the smaller operators into the RTP1 system, using SEStran funds of £158,000 to further the develop the system and to encourage investment in the necessary equipment by the operators themselves.

### 10.5 Heritage Assets

The Partnership does not have any heritage assets.

# The South East of Scotland Transport Partnership (SESTRAN)

## 11. FINANCIAL INSTRUMENTS

11.1 The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	31st March 2016 £'000	31st March 2015 £'000	31st March 2016 £'000	31st March 2015 £'000
<b>Investments</b>				
Loans and receivables	0	0	1,132	1,196
<b>Borrowings</b>				
Financial liabilities at amortised cost	0	0	984	1,223

11.2 The gains and losses recognised in the Comprehensive Income and Expenditure Account in 2015/16 in relation to financial instruments are made up as follows:

### Income, Expenses, Gains and Losses

	Financial Liabilities measured at amortised cost 31st March 2016 £'000	Financial Assets Loans and receivables 31st March 2016 £'000	Total 31st March 2016 £'000	Financial Liabilities measured at amortised cost 31st March 2015 £'000	Financial Assets Loans and receivables 31st March 2015 £'000	Total 31st March 2015 £'000
Interest expense	0	0	0	1	0	1
Interest income	0	0	0	0	0	0
<b>Net gain/(loss) for the year</b>	0	0	0	1	0	1

11.3 Fair Values of Assets and Liabilities

The financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Since all of the Partnership's loans and receivables mature within the next 12 months, the carrying amount has been assumed to approximate to fair value. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2016		31 March 2015	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<b>Financial Liabilities</b>				
Trade creditors	984	984	1,223	1,223
<b>Financial Assets</b>				
Loans and receivables	1,126	1,126	1,196	1,196
Trade debtors	6	6	0	0
	<u>1,132</u>	<u>1,132</u>	<u>1,196</u>	<u>1,196</u>

# The South East of Scotland Transport Partnership (SESTRAN)

## 12. DEBTORS

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	<b>31st March 2016 £'000</b>	<b>31st March 2015 £'000</b>
Debtors:		
Central government bodies	768	475
Other local authorities	(3)	0
HM Customs and Excise - VAT	69	55
Other entities and individuals	370	764
	<hr/> 1,204	<hr/> 1,294

## 13. CASH AND CASH EQUIVALENTS

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The balance of cash and cash equivalents is made up of the following elements:

	<b>31st March 2016 £'000</b>	<b>31st March 2015 £'000</b>
Cash held by the Partnership	0	0
Bank accounts	41	84
	<hr/> 41	<hr/> 84

## 14. CREDITORS

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	<b>31st March 2016 £'000</b>	<b>31st March 2015 £'000</b>
Central government bodies	(3)	0
Other local authorities	(116)	(164)
Other entities and individuals	(981)	(1,214)
Employee costs	(2)	(6)
	<hr/> <b>(1,102)</b>	<hr/> <b>(1,384)</b>

## 15. USABLE RESERVES

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The Partnership does not have statutory powers to operate a usable reserve.

# The South East of Scotland Transport Partnership (SESTRAN)

## 16. UNUSABLE RESERVES

	31st March 2016 £'000	31st March 2015 £'000
16.1 Capital Adjustment Account	3,716	3,990
16.2 Pension Reserve	(189)	(373)
16.3 Accumulated Absence Account	(2)	(6)
	3,525	3,611

### 16.1 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 enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Partnership as finance for the costs of acquisition, construction and enhancement.

	2015/16 £'000	2014/15 £'000
Balance at 1st April	3,990	4,027
Reversal of items related to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
· Charges for depreciation and impairment of non-current assets	(907)	(675)
· Amortisation of intangible assets	0	0
	3,083	3,352
Net written out amount of the cost of non-current assets consumed in year		
Capital financing applied in the year:		
· Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	633	638
	3,716	3,990
Balance at 31st March		

### 16.2 Pension Reserve

The Pension 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. The Partnership accounts for post employment benefits in the Comprehensive Income and Expenditure Statement 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 the Partnership 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 shortfall in the benefits earned by past and current employees and the resources the Partnership 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.

## The South East of Scotland Transport Partnership (SESTRAN)

### 16. UNUSABLE RESERVES (Contd.)

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#### 16.2 Pension Reserve (Contd.)

	2015/16 £'000	2014/15 £'000
Balance at 1st April	(373)	(332)
Actuarial losses or (gains) on pension assets and liabilities	0	0
Remeasurements of the net defined benefit liability / (asset)	211	(19)
Reversals of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.	(85)	(78)
Employer's pension contributions and direct payments to pensioners payable in the year.	58	56
Balance at 31st March	<u>(189)</u>	<u>(373)</u>

#### 16.3 Accumulated Absence Account

The Accumulated Absence 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, for example, annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the Account.

	2015/16 £'000	2014/15 £'000
Balance at 1st April	(6)	(8)
Settlement or cancellation of accrual made at the end of the preceding year	6	8
Amounts accrued at the end of the current year	(2)	(6)
Balance at 31st March	<u>(2)</u>	<u>(6)</u>

### 17. MEMBERS EXPENSES

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The Partnership paid the following amounts to members during the year:

	2015/16 £'000	2014/15 £'000
Expenses	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>

## The South East of Scotland Transport Partnership (SESTRAN)

### 18. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by SERCOP.

However decisions about resource allocation are taken by the Partnership's Board on the basis of budget reports analysed across functions. These reports are prepared on a different basis from the accounting policies used in the Annual Accounts. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement),
- the cost of retirement benefits is based on cash flows (payments of employer's pensions contributions) rather than current service cost of benefits accrued in the year,
- expenditure on some support services is budgeted for centrally and not charged to projects

The income and expenditure of the Partnership's principal functions recorded in the budget reports for the year is as follows:

<b>Segmental Income and Expenditure 2015/16</b>	<b>Core Service £'000</b>	<b>Projects £'000</b>	<b>Total £'000</b>
Fees, charges & other service income	0	(2,071)	(2,071)
Interest and investment income	0	0	0
Government grants	(350)	(432)	(782)
Constituent Council requisitions	(200)	0	(200)
<b>Total Income</b>	<b>(550)</b>	<b>(2,503)</b>	<b>(3,053)</b>
Employee expenses	269	0	269
Other service expenses	222	0	222
Support service recharges	53	0	53
Project costs	0	2,509	2,509
<b>Total Expenditure</b>	<b>544</b>	<b>2,509</b>	<b>3,053</b>
<b>Net Expenditure</b>	<b>(6)</b>	<b>6</b>	<b>0</b>
<b>Segmental Income and Expenditure 2014/15</b>	<b>Core Service £'000</b>	<b>Projects £'000</b>	<b>Total £'000</b>
Fees, charges & other service income	0	(1,066)	(1,066)
Interest and investment income	0	0	0
Government grants	(266)	(516)	(782)
Constituent Council requisitions	(200)	0	(200)
<b>Total Income</b>	<b>(466)</b>	<b>(1,582)</b>	<b>(2,048)</b>
Employee expenses	227	0	227
Other service expenses	173	0	173
Support service recharges	54	0	54
Project costs	0	1,594	1,594
<b>Total Expenditure</b>	<b>454</b>	<b>1,594</b>	<b>2,048</b>
<b>Net Expenditure</b>	<b>(12)</b>	<b>12</b>	<b>0</b>

## The South East of Scotland Transport Partnership (SESTRAN)

### 18. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Contd.)

#### Reconciliation of Segmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of the segmental income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2015/16 £'000	2014/15 £'000
Net expenditure in the Segmental Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Segmental Analysis	285	42
Amounts in the Segmental Analysis not included in the Comprehensive Income and Expenditure Statement *	895	982
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	1,180	1,024

(\* investment income, government grant and Council requisitions are presented differently in the Comprehensive Income and Expenditure Statement )

#### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of segmental income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16	Segmental Analysis £'000	IFRS Gross Up £'000	Not Reported to Mgmt £'000	Not Included in CIES £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
<b>Reconciliation to Subjective Analysis</b>							
Fees, charges & other service income	(2,071)				(2,071)		(2,071)
Interest and investment income	0			0	0	0	0
Government grants	(782)			782	0	(782)	(782)
Constituent Council requisitions	(200)			200	0	(113)	(113)
Expected return on pensions assets					0	(47)	(47)
	(3,053)	0	0	982	(2,071)	(942)	(3,013)
Employee expenses	269	170	(4)		435		435
Other operating expenses	222				222		222
Support services	53				53		53
Project costs	2,509	(170)		(87)	2,252		2,252
Contributions credited to the CIES that have been applied to capital financing			(633)		(633)		(633)
Depreciation			907		907		907
Pensions/ Other interest cost			0		0	59	59
Reversal of employer pension contributions			(58)		(58)		(58)
Actuarial valuation of employer pension contributions			73		73		73
	3,053	0	285	(87)	3,251	59	3,310
<b>(Surplus) or Deficit on the provision of service</b>	<b>0</b>	<b>0</b>	<b>285</b>	<b>895</b>	<b>1,180</b>	<b>(883)</b>	<b>297</b>

## The South East of Scotland Transport Partnership (SESTRAN)

### 18. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Contd.)

2014/15	Segmental Analysis £'000	IFRS Gross Up £'000	Not Reported to Mgmt £'000	Not Included in CIES £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
<b>Reconciliation to Subjective Analysis</b>							
Fees, charges & other service income	(1,066)				(1,066)		(1,066)
Interest and investment income	0			0	0	0	0
Government grants	(782)			782	0	(782)	(782)
Constituent Council requisitions	(200)		29	200	29	(200)	(171)
Expected return on pensions assets					0	(58)	(58)
	(2,048)	0	29	982	(1,037)	(1,040)	(2,077)
Employee expenses	227	190	(2)		415		415
Other operating expenses	173				173		173
Support services	54				54		54
Project costs	1,594	(190)	(29)		1,375		1,375
Contributions credited to the CIES that have been applied to capital financing			(638)		(638)		(638)
Depreciation			675		675		675
Pensions interest cost			(1)		(1)	73	72
Reversal of employer pension contributions			(56)		(56)		(56)
Actuarial valuation of employer pension contributions			64		64		64
	2,048	0	13	0	2,061	73	2,134
<b>(Surplus) or Deficit on the provision of service</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>982</b>	<b>1,024</b>	<b>(967)</b>	<b>57</b>

# The South East of Scotland Transport Partnership (SESTRAN)

## 19. EXTERNAL AUDIT COSTS

The Partnership has incurred the following costs in relation to the audit of the Annual Accounts, certification of grant claims, and statutory inspections and to non-audit services provided by the Partnership's external auditors:

	2015/16 £'000	2014/15 £'000
Fees payable in respect of:		
· external audit services carried out by the appointed auditor for the year	9	9
	<u>9</u>	<u>9</u>

## 20. GRANT INCOME

The Partnership credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

	2015/16 £'000	2014/15 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Scottish Government - Revenue Grant	(782)	(782)
Constituent Council Requisitions (Note 21.3)	(200)	(200)
	<u>(982)</u>	<u>(982)</u>
<b>Credited to Services</b>		
EU Grant - Lo Pinod	0	(55)
EU Grant - I Transfer	0	(21)
EU Grant - Foodport	0	(7)
EU Grant - Weastflows	0	(32)
EU Grant - CHUMS	(27)	(30)
EU Grant - NWE Ride	(5)	(16)
EU Grant - Social Car	(14)	0
Bus Investment Fund Grant - RTPi	(768)	(578)
Contribution - City of Edinburgh Council	(8)	(3)
Contribution - Midlothian Council	0	(1)
Contribution - Fife Council	(2)	(4)
Contribution - East Lothian Council	(468)	(1)
Contribution - Scottish Borders Council	(468)	(1)
Contribution - Perth & Kinross Council	(2)	(3)
Contribution - West Lothian Council	(14)	0
Contribution - SUSTRANS	(94)	(99)
Contribution - HITRANS	(1)	0
Contribution - NESTRANS	(3)	0
	<u>(1,874)</u>	<u>(851)</u>

# The South East of Scotland Transport Partnership (SESTRAN)

## 21. RELATED PARTIES

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The Partnership is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Partnership or to be controlled or influenced by the Partnership. Disclosure of these transactions allows readers to assess the extent to which the Partnership 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 with the Partnership.

### 21.1 Scottish Government

The Partnership receives grant-in-aid revenue funding through the Scottish Government. Grants received from the Scottish Government are set out in the subjective analysis in Note 20.

### 21.2 Members

Members of the Partnership have direct control over the Partnership's financial and operating policies. The total of members' expenses paid by the Partnership in 2015-16 is shown in Note 17.

### 21.3 Other Parties

During the year, the Partnership entered into the following transactions with related parties:

	<b>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
· Revenue Expenditure - Support Services		
City of Edinburgh Council - Financial Services	23	31
Fife Council - Clerking/ Legal Services	20	21
	<hr/>	<hr/>
	43	52
	<hr/>	<hr/>
· Revenue Expenditure - Other		
City of Edinburgh Council	22	26
Clackmannanshire Council	10	2
East Lothian Council	111	74
Falkirk Council	5	0
Scottish Borders Council	3	0
Scottish Government	3	0
West Lothian Council	25	0
	<hr/>	<hr/>
	179	102
	<hr/>	<hr/>

# The South East of Scotland Transport Partnership (SESTRAN)

## 21. RELATED PARTIES (Contd.)

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### 21.3 Other Parties (contd.)

	2015/16 £'000	2014/15 £'000
· Revenue Income - Requisitions		
Clackmannanshire Council	(7)	(7)
East Lothian Council	(13)	(13)
City of Edinburgh Council	(63)	(63)
Falkirk Council	(20)	(20)
Fife Council	(48)	(48)
Midlothian Council	(11)	(11)
Scottish Borders Council	(15)	(15)
West Lothian Council	(23)	(23)
	<hr/>	<hr/>
	(200)	(200)
	<hr/>	<hr/>
· Revenue Income - Interest on Revenue Balances		
City of Edinburgh Council	0	1
	<hr/>	<hr/>
	0	1
	<hr/>	<hr/>
· Revenue Income - Other		
Scottish Government	(768)	(578)
Constituent Councils	(29)	(14)
City of Edinburgh Council	(8)	(3)
East Lothian Council	(468)	(1)
Fife Council	(2)	(4)
Midlothian Council	0	(1)
Perth and Kinross Council	(2)	(3)
Scottish Borders Council	(468)	(1)
West Lothian Council	(14)	0
	<hr/>	<hr/>
	(1,759)	(605)
	<hr/>	<hr/>

# The South East of Scotland Transport Partnership (SESTRAN)

## 21. RELATED PARTIES (Contd.)

### 21.4 Other Parties

The following represents amounts due to/ (from) the Partnership at 31 March 2016, with its related parties.

<b>CREDITORS</b>	<b>2015/16</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
· Creditors - Related Parties (Revenue Grants)		
Clackmannanshire Council	(10)	(2)
City of Edinburgh Council	(10)	(15)
East Lothian Council	(25)	(74)
Scottish Borders Council	(3)	0
West Lothian Council	(25)	0
	<u>(73)</u>	<u>(91)</u>
· Creditors - Related Parties (Other)		
City of Edinburgh Council	(23)	(23)
Fife Council	(20)	(21)
Constituent Councils	(87)	(29)
Scottish Government	(3)	0
	<u>(133)</u>	<u>(73)</u>
· Creditors - Other Parties	<u>(983)</u>	<u>(1,220)</u>
Total Creditors	<u>(1,189)</u>	<u>(1,384)</u>
<b>DEBTORS</b>		
· Debtors - Related Parties (Other)		
East Lothian Council	94	0
Scottish Borders Council	94	0
Scottish Government	768	475
West Lothian Council	14	0
	<u>970</u>	<u>475</u>
· Debtors - Other Parties	<u>176</u>	<u>819</u>
Total Debtors	<u>1,146</u>	<u>1,294</u>

# The South East of Scotland Transport Partnership (SESTRAN)

## 22. LEASES

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### Operating Leases

The Partnership leased an office at Claremont House, 130 East Claremont Street, Edinburgh until 16th February 2016, when the lease was terminated. This lease has been accounted for as an operating lease.

From 8th February 2016 the Partnership took occupancy of Area 3D (Bridge) in Victoria Quay, Edinburgh under the terms of a Memorandum of Terms of Occupation with Scottish Government, which forms part of the Civil Estates Occupancy Agreement (CEOA).

The Partnership is permitted to occupy the space from 8th February 2016 to 7th February 2019 (the Prescribed Term) and so on until ended by either party giving notice under the terms of the CEOA. Both parties will, upon provision of not less than 1 year's prior written notice, have the ability to break this agreement.

The Partnership also has the use of a photocopier under a hire agreement, which has been accounted for as an operating lease. The hire agreement renewal started on 29th August 2015 and is due to expire on 28th August 2016.

The Partnership's contract with MOBIUS Networks for the leasing of SIM cards for the RTPI project which enable the buses to be tracked live on the system, continues into 2016/17.

The Partnership has the option to terminate the lease under no penalty if at least six months notice is given.

The Partnership's expenditure on lease payments during 2015/16 was £66,000 (2014/15 £52,000)

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

	2015/16 £'000	2014/15 £'000
· Not later than 1 year	41	30
· Later than 1 year not later than 5 years	0	0
· Later than 5 years	0	0
	<hr/>	<hr/>
	41	30
	<hr/>	<hr/>

The Partnership has no other material operational leases.

## 23. DEFINED BENEFIT PENSION SCHEMES

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### 23.1 Participation in Pension Schemes

As part of the terms and conditions of employment of its staff, the Partnership makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until the employees retire, the Partnership has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. As explained in Accounting Policy 1.6, the Partnership is an admitted body to the Local Government Pension Scheme (LGPS) which is administered by the Lothian Pension Fund.

The Partnership participates in:

- A funded defined benefit final salary scheme. This means that the Partnership and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- An arrangement for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

# The South East of Scotland Transport Partnership (SESTRAN)

## 23. DEFINED BENEFIT PENSION SCHEMES (Contd.)

### 23.2 Transactions Relating to Post-employment Benefits

The Partnership recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2015/16 £000	2015/16 £000	2014/15 £000	2014/15 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	73		64	
Past service costs	<u>0</u>		<u>0</u>	
		73		64
<i>Financing and investment income:</i>				
Net interest expense		<u>12</u>		<u>14</u>
<b>Total post employee benefit charged to the surplus on the provision of services</b>		85		78
<i>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</i>				
Remeasurement of the net defined liability, comprising:				
Return on plan assets, excluding the amount incl. in the net interest expense above.	(25)		2	
Actuarial gains and (losses) arising on changes in financial assumptions	(158)		185	
Actuarial gains and (losses) arising on changes in demographic assumptions	0		66	
Other experience	<u>(28)</u>		<u>(234)</u>	
		<u>(211)</u>		<u>19</u>
<b>Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement</b>		<u>(126)</u>		<u>97</u>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		<u>184</u>		<u>(41)</u>
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employer's contributions payable to the scheme		58		56
		<u>58</u>		<u>56</u>

## The South East of Scotland Transport Partnership (SESTRAN)

### 23. DEFINED BENEFIT PENSION SCHEMES (Contd.)

#### 23.3 Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2015/16 £'000	2014/15 £'000
Fair value of employer assets	1,551	1,457
Present value of funded liabilities	(1,740)	(1,830)
Present value of unfunded liabilities	0	0
Net liability arising from defined benefit obligation	<u>(189)</u>	<u>(373)</u>

#### 23.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

	2015/16 £'000	2014/15 £'000
Opening fair value of scheme assets	1,457	1,418
Interest income	47	58
Remeasurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	25	(2)
Contributions from employer	58	56
Contributions from employees into the scheme	19	18
Benefits paid	(55)	(91)
Unfunded benefits paid		
Closing fair value of scheme assets	<u>1,551</u>	<u>1,457</u>

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

	2015/16 £'000	2014/15 £'000
Present value of funded liabilities	(1,830)	(1,750)
Present value of unfunded liabilities	0	0
Opening balance at 1st April	(1,830)	(1,750)
Current service cost	(73)	(64)
Interest cost	(59)	(72)
Contributions from employees into the scheme	(19)	(18)
Remeasurement gain / (loss):		
Change in demographic assumptions	0	(66)
Change in financial assumptions	158	(185)
Other experience	28	234
Past service cost	0	0
Benefits paid	55	91
Unfunded benefits paid	0	0
Closing balance at 31st March	<u>(1,740)</u>	<u>(1,830)</u>

## The South East of Scotland Transport Partnership (SESTRAN)

### 23. DEFINED BENEFIT PENSION SCHEMES (Contd.)

#### 23.5 Fair Value of Employer Assets

The following asset values are at bid value as required under IAS19.

	2015/16		2014/15	
	£'000	%	£'000	%
Equity Securities:				
Consumer *	236	15	204	14
Manufacturing *	183	12	171	12
Energy and Utilities *	123	8	146	10
Financial Institutions *	131	8	120	8
Health and Care *	103	7	99	7
Information technology *	93	6	91	6
Other *	89	6	65	4
Sub-total Equity Securities	959		896	
Debt Securities:				
Corporate Bonds (investment grade) *	0	0	0	0
Corporate Bonds (non-investment grade) *	0	0	0	0
UK Government *	100	6	85	6
Other *	39	3	36	2
Sub-total Debt Securities	139		121	
Private Equity:				
All *	17	1	0	0
All	50	3	169	12
Sub-total Private Equity	68		169	
Real Estate:				
UK Property	133	9	95	7
Overseas Property	0	0	15	1
Sub-total Real Estate	133		110	
Investment Funds and Unit Trusts:				
Equities *	0	0	16	1
Equities	0	0	0	0
Bonds *	4	0	4	0
Bonds	8	1	0	0
Commodities *	4	0	5	0
Commodities	0	0	0	0
Infrastructure *	9	1	9	1
Infrastructure	95	6	0	0
Other *	0	0	5	1
Other	37	2	5	0
Sub-total Investment Funds and Unit Trusts	157		44	
Derivatives:				
Foreign Exchange *	0	0	2	0
Sub-total Derivatives	0		2	
Cash and Cash Equivalents				
All *	96	6	115	8
Sub-total Cash and Cash Equivalents	96		115	
Total Fair Value of Employer Assets	1,551		1,457	

*Scheme assets marked with an asterisk (\*) have quoted prices in active markets.*

# The South East of Scotland Transport Partnership (SESTRAN)

## 23. DEFINED BENEFIT PENSION SCHEMES (Contd.)

### 23.6 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years which are dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries and are based on the latest formal valuation of the scheme as at 31 March 2014.

The principal assumptions used by the actuary have been:

	2015/16	2014/15
Long term expected rate of return on assets in the scheme:		
· Equity investments	4.9%	17.2%
· Bonds	4.9%	17.2%
· Property	4.9%	17.2%
· Cash	4.9%	17.2%
Mortality assumptions - longevity at 65 for current pensioners:		
· Men	22.1 years	22.1 years
· Women	23.7 years	23.7 years
Mortality assumptions - longevity at 65 for future pensioners:		
· Men	24.2 years	24.2 years
· Women	26.3 years	26.3 years
Pension increase rate	2.2%	2.4%
Salary increase rate (see below)	4.2%	4.3%
Discount rate	3.5%	3.2%

Note: The salary increases are assumed to be 1.25% p.a. until 31 March 2016, reverting to the long-term assumption shown thereafter.

Estimation of defined benefit obligations is sensitive to the actuarial assumptions set out above. 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 2016 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

For example, to quantify the uncertainty around life expectancy, the Actuary has calculated the difference in cost to the Employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption and changes in some of the assumptions may be interrelated.

Change in assumptions at 31 March 2016	Approximate % Increase to Employer	Approximate Monetary Amount £'000
0.5% decrease in Real Discount Rate	9.0%	164
1 year increase in member life expectancy	3.0%	52
0.5% increase in the Salary Increase Rate	2.0%	34
0.5% increase in the Pension Increase Rate	7.0%	128

## The South East of Scotland Transport Partnership (SESTRAN)

### 23. DEFINED BENEFIT PENSION SCHEMES (Contd.)

#### 23.7 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2017

	Assets £000	Obligations £000	Net (liability) / asset £000      % of pay	
Current service cost	0	(63)	(63)	(24.4%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
<b>Total Service Cost</b>	<b>0</b>	<b>(63)</b>	<b>(63)</b>	<b>(24.4%)</b>
Interest income on plan assets	55	0	55	21.3%
Interest cost on defined benefit obligation	0	(61)	(61)	(23.6%)
<b>Total Net Interest Cost</b>	<b>55</b>	<b>(61)</b>	<b>(6)</b>	<b>(2.3%)</b>
<b>Total included in Profit or Loss</b>	<b>55</b>	<b>(124)</b>	<b>(69)</b>	<b>(26.7%)</b>

SESTRAN's estimated contribution to Lothian Pension Fund for 2016/17 is £58,000.

### 24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Partnership's activities expose it to a variety of financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Partnership.
- Liquidity risk - the possibility that the Partnership might not have funds available to meet its commitments to make payments.
- Re-financing risk - the possibility that the Partnership might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Partnership as a result of changes in such measures as interest rate movements.
- Price risk - the possibility that fluctuations in equity prices has a significant impact on the value of financial instruments held by the Authority. This is considered immaterial because the Authority does not generally invest in equity shares.
- Foreign exchange risk - the possibility that fluctuations in exchange rates could result in loss to the Partnership.

Treasury Management is carried out on the Partnership's behalf by the City of Edinburgh Council.

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The Council complies with the CIPFA Prudential Code, and has adopted the CIPFA Treasury Management in the Public Services Code of Practice.

#### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Partnership's customers.

The Partnership's surplus funds not immediately required to meet expenditure commitments are held with the City of Edinburgh Council, and the Partnership receives interest on revenue balances on these monies. Since the Partnership's surplus funds are held with the City of Edinburgh Council, the counterparty default exposure is effectively nil.

All Partnership invoices become due for payment on issue, and all trade debtors are overdue less than a month.

Collateral - During the reporting period the Partnership held no collateral as security.

## The South East of Scotland Transport Partnership (SESTRAN)

### 24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Contd.)

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#### **Liquidity risk**

The Partnership is also required by statute to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The arrangement with the City of Edinburgh Council ensures sufficient liquidity is available for the Partnership's day to day cash flow needs.

The Council manages the Partnership's liquidity position through the risk management procedures above as well as through cash flow management procedures required by the Code of Practice.

#### **Refinancing risk**

The Partnership has only a small level of surplus funds and no long term debt. The refinancing risk to the Partnership relates to managing the exposure to replacing financial instruments as they mature. As such, the Partnership has no refinancing risk on its liabilities.

The Partnership has no investments with a maturity greater than one year.

#### **Market risk**

##### **Interest rate risk**

The Partnership is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on an organisation, depending on how variable and fixed interest rates move across differing financial instrument periods.

For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates - the fair value of the liabilities borrowings will fall;
- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates - the fair value of the assets will fall.

The Partnership currently has no borrowings. Changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. However, all investments currently have a maturity of less than one year and the fair value has therefore been approximated by the outstanding principal.

The Partnership's surplus funds are held with the City of Edinburgh Council.

The Council's Treasury Management Team continue to monitor market and forecast interest rates during the year and adjust investment policies accordingly.

##### **Price risk**

The Partnership does not invest in equity shares.

##### **Foreign exchange risk**

As at 31 March 2016, the Partnership had no financial assets subject to foreign exchange risk.

### 25. SESTRAN Limited

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The Partnership incorporated a wholly-owned limited company - SESTRAN Limited - on 22 January 2010. The company has yet to commence the provision of services and there are no transactions to record for the purposes of preparing Group Accounts.

# INDEPENDENT AUDITOR'S REPORT

## Independent auditor's report to the members of South East of Scotland Transport Partnership and the Accounts Commission for Scotland

I certify that I have audited the financial statements of South East of Scotland Transport Partnership for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement and the related notes. 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 2015/16 (the 2015/16 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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 South East of Scotland Regional Transport Partnership 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. In addition, I read all the financial and non-financial information in the annual report and 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 me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view, in accordance with applicable law and the 2015/16 Code of the state of the affairs of South East of Scotland Transport Partnership as at 31 March 2016 and of the income and expenditure of the Partnership 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 2015/16 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.

# INDEPENDENT AUDITOR'S REPORT

## Opinion on other prescribed matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Stephen O'Hagan

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Glasgow  
G2 1BT

September 2016