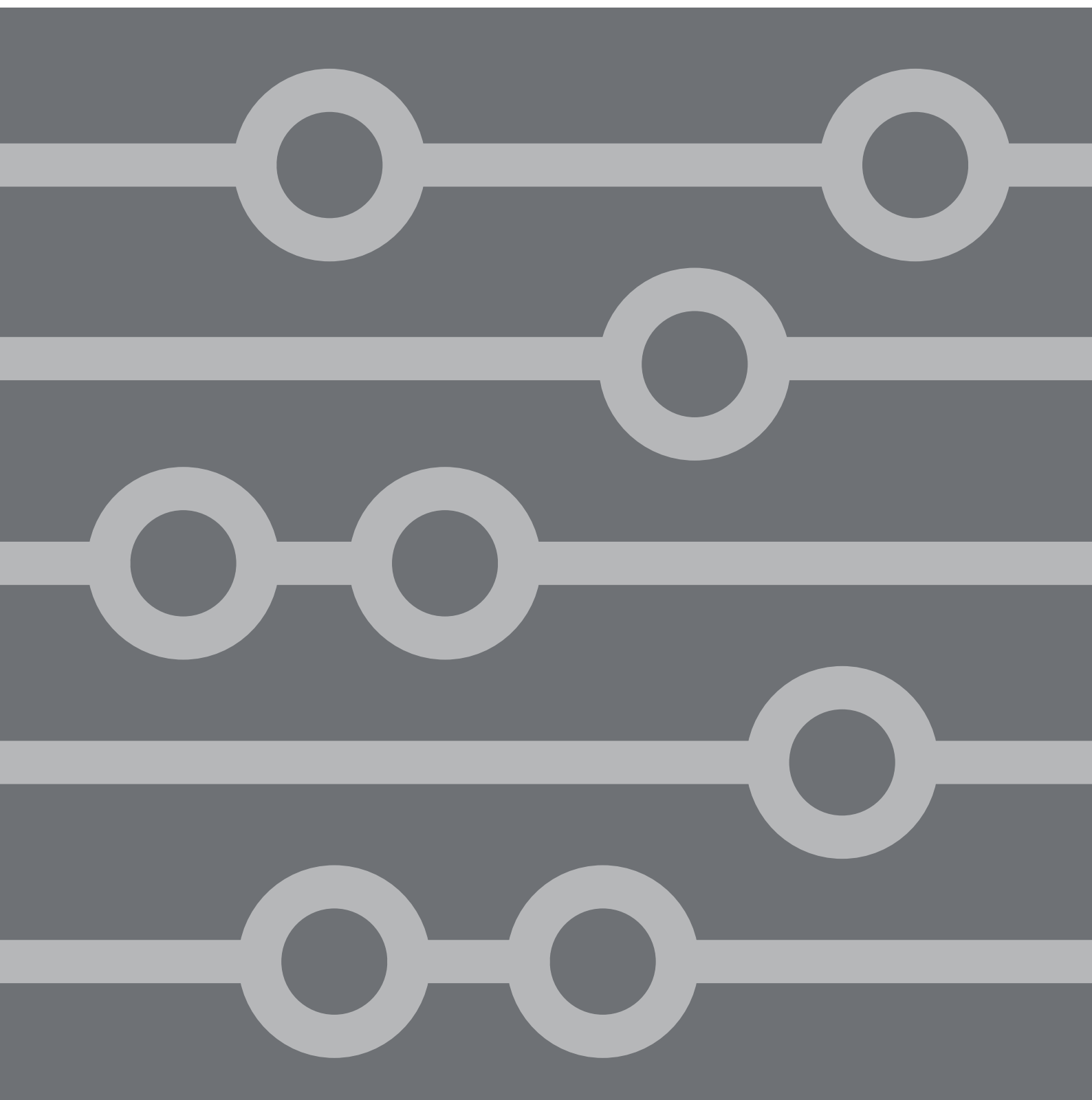




Strathclyde Partnership for Transport

# Annual Accounts

for the year ended 31 March 2023



# Strathclyde Partnership for Transport

## Annual Accounts for the year ended 31 March 2023

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### Contents

Members of Strathclyde Partnership for Transport	3
Management Commentary	4
Statement of Responsibilities	10
Annual Governance Statement	11
Accounting Policies	18
Comprehensive Income and Expenditure Statement	30
Balance Sheet	31
Cash Flow Statement	32
Movement in Reserves Statement	33
Notes to the Financial Statements	34
Remuneration Report	72
Independent auditor's report to the members of Strathclyde Partnership for Transport and the Accounts Commission	80
Strathclyde Concessionary Travel Scheme Joint Committee Annual Accounts for the year ended 31 March 2023	84
Independent auditor's report to the members of Strathclyde Concessionary Travel Scheme Joint Committee and the Accounts Commission	113

# Members of Strathclyde Partnership for Transport

Members of the Partnership as at 31 March 2023

## Member

**Councillor William Sinclair**  
**Councillor William Lennox**  
**Councillor Alan Moir (Vice Chair)**  
**Councillor Owen O'Donnell**  
**Councillor Stephen Dornan (Chair)**  
**Councillor Ken Andrew**  
**Councillor Christy Mearns**  
**Councillor Malcolm Mitchell**  
**Councillor Roza Salih**  
**Councillor David Wilson (Vice Chair)**  
**Councillor Donald Reid**  
**Councillor Adam Smith**  
**Councillor Gordon Currie**  
**Councillor Michael McPake**  
**Councillor Jim Paterson**  
**Councillor Duncan Townson**  
**Councillor Maureen Devlin**  
**Councillor Alex Allison**  
**Councillor Mark Horsham**  
**Councillor Lawrence O'Neill**  
**Gregory Beecroft**  
**Jenna Dickson**  
**Anne Follin**  
**Dr George Hazel**  
**Kirsty Orr**  
**Ed McGrachan**  
**Andrew Walters**

## Representing

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

The Partnership consists of 20 Elected Members representing the 12 constituent unitary authorities in the west of Scotland and between 7 and 9 Appointed Members. There are currently 7 Appointed Members. The Partnership met on 5 occasions during 2022/23.

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

## Address for Correspondence

**Neil Wylie**  
Director of Finance & Corporate Support  
Strathclyde Partnership for Transport  
131 St. Vincent Street  
Glasgow  
G2 5JF

# Management Commentary

## Introduction

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

## About Strathclyde Partnership for Transport

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

SPT's Partnership Board is made up of 20 elected members representing 12 constituent councils, and in 2022/23 there were seven Appointed Members.

The Partnership was chaired at 31 March 2023 by Councillor Stephen Dornan along with Vice Chairs Councillor Alan Moir and Councillor David Wilson. A full list of SPT's current members can be found at:

[spt.co.uk/about-us/who-we-are/our-team/members](https://spt.co.uk/about-us/who-we-are/our-team/members)

The Partnership's policies and decisions are implemented by SPT staff under the strategic direction of Chief Executive, Valerie Davidson supported by other senior management.

SPT is at the heart of the region's transport planning, operations and project delivery; working to develop an integrated network now and for the future. We provide subsidised contracted local bus services, are instrumental in the delivery and growth of community transport, and provide demand responsive services – MyBus – in areas not served by the commercial market and in rural communities where public transport would otherwise be unavailable. We deliver on street bus shelters and stops, transport information and are a key influence in the design of the bus network. Service recovery from the impacts of COVID-19 continues and as a consequence, operational and financial performance measures differ in 2022/23 from the historic norms.

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

SPT also own and operate the Subway in Glasgow – the world's third oldest underground system and a vital part of the west of Scotland's transport network. The Subway carried 11.9 million passengers (2021/22: 8.0 million) in 2022/23, recovering to around 90% of pre Covid levels.

The modernisation of the Subway, which will transform the network and enhance our customers' travel experience, including work on the delivery of the contracts for the manufacture and delivery of new rolling stock, signalling and control systems, control room and associated equipment continued in 2022/23. In addition, work continued to ensure the integrity of Subway tunnels and infrastructure.

SPT's Subway continues to operate its Smartcard ticketing system, with to date more than 308,000 Smartcards issued. On behalf of operators, SPT is also responsible for the operation and administration of the region's ZoneCard – an integrated multi-modal ticketing scheme, with customers making 2.5 million essential journeys using ZoneCards. SPT began work in the year with all members of the Zonecard Forum to develop a 'Smart Zonecard' product across public transport in the west of Scotland.

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

SPT has developed a new Regional Transport Strategy (RTS) for the west of Scotland, A Call to Action: The Regional Transport Strategy for the west of Scotland 2023-38. The RTS was approved by Scottish Ministers on 14 July 2023.

The RTS vision and priorities have been set out as:

- The west of Scotland will be an attractive, resilient and well-connected place with active, liveable communities and accessible, vibrant centres facilitated by high quality, sustainable and low carbon transport shaped by the needs of all.
- A healthier environment, supported by a transport system that helps our region become a low carbon place with healthier natural and built environments for the benefit of all.
- Inclusive economic growth, underpinned by a transport system that supports regional economic development and growth, with better opportunities and fairer outcomes for all.
- Improved quality of life, supported by a transport system that helps everyone to have better health and wellbeing and lead active, fulfilling lives.

The RTS will be supported by a Delivery Plan, which sets out the key investments, services and initiatives to be delivered in the shorter term to work towards achieving the strategic outcomes for the region.

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

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

## Our Priorities

SPT's work is guided by the Regional Transport Strategy. This provides a strategic planning framework for planning, investment and delivery. The existing Strategic Outcomes of the RTS, and the corporate priority of 'Improved service delivery' remained SPT's priority during 2022/23.

## Performance Reporting

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

[spt.co.uk/about-us/who-we-are/minutes-agendas](https://spt.co.uk/about-us/who-we-are/minutes-agendas)

In addition, the full year performance is reported in the Annual Report 2023 and can be found at:

[spt.co.uk/about-us/who-we-are/documents/annual-reports](https://spt.co.uk/about-us/who-we-are/documents/annual-reports)

## Treasury Management

SPT has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes' and fully complies with the requirements of the 2017 Edition, including the creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of SPT's treasury management activities.

CIPFA published a revised Code of Practice and Prudential Code on 20 December 2021. In accordance with CIPFA's expectations:

- SPT will fully implement the requirements of the Code of Practice (2021 Edition) in financial year 2023/24.
- SPT has fully adopted the ongoing principles of the Prudential Code and will fully introduce the reporting requirements of the 2021 Edition in financial year 2023/24.

Additionally, SPT does not borrow to invest primarily for financial return and therefore meets this immediate requirement of the Prudential Code (2021 Edition).

SPT publishes an annual Treasury Management Strategy for the year ahead and annual Treasury Management Report for the year past, including a commentary on compliance. The 2022/23 Treasury Management Strategy can be found at:

[spt.co.uk/media/lr2iuhl2/p180322\\_agenda9.pdf](https://spt.co.uk/media/lr2iuhl2/p180322_agenda9.pdf)

## Management of Risk

The main financial and operational risks to SPT are included within the corporate risk register. This includes identification of clear mitigating actions and risk owners. The major risks at this stage arise from the challenges in bus service provision for the west of Scotland and continuing public sector financial funding constraints. Risks are reviewed regularly and reported to each Audit & Standards Committee for scrutiny and can be found at:

[spt.co.uk/about-us/who-we-are/minutes-agendas/audit-standards-committee](https://spt.co.uk/about-us/who-we-are/minutes-agendas/audit-standards-committee)

## Look Ahead

### Recovery from COVID-19

In general, services recovered further from the global pandemic throughout the year, albeit also reflecting changes in societal behaviour including the significant move to working from home or hybrid working. Subway patronage and income, which has the most direct impact on SPT's overall revenue position, did continue to recover well in the year, averaging around 90% of pre Covid levels with the strongest performance in the second half of the year.

SPT's services are planned to operate as near to normal as possible in 2023/24 including all project development activities. As noted, patronage has recovered well against historical trends but c.10% 'lost' patronage still represents a significant farebox reduction. Other income streams also continue to be lower than the norm. The only exception to that, providing some offset, relates to investment income which continues to increase as a result of the recent increases in the UK base rate. Inflationary pressures are forecast to continue to be a significant drag on the short-term financial position. Coupled with the challenges in local government funding, which has a direct impact on SPT's revenue funding, the consequence is that SPT's revenue financial position remains challenging.

SPT has sufficient resources available to ensure that reduced income will not create any cash flow or borrowing issues in 2023/24. In addition, reserves remain in place to support SPT's position in the short term.

### Subway modernisation

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

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

### Regional Transport Strategy

As noted, SPT has developed a new Regional Transport Strategy (RTS) for Strathclyde. The new RTS sets out a long-term vision, policies and actions for the transport system to help develop a more sustainable and growing economy; enable a healthier, more inclusive and fairer society; and reduce the impact of transport on the environment. Specifically, the RTS has identified the following key objectives:

- **Objective 1:** To improve accessibility, affordability, availability and safety of the transport system, ensuring everyone can get to town centres, jobs, education, healthcare and other everyday needs
- **Objective 2:** To reduce carbon emissions and other harmful pollutants from transport in the region
- **Objective 3:** To enable everyone to walk, cycle or wheel and for these to be the most popular choices for short, everyday journeys
- **Objective 4:** To make public transport a desirable and convenient travel choice for everyone
- **Objective 5:** To improve regional and inter-regional connections to key economic centres and strategic transport hubs for passengers and freight

### Smart & integrated ticketing

The Subway Smartcard has been established as a popular choice for customers with more than 308,000 cards in use. SPT in conjunction with a number of public transport operators including ScotRail, McGill's, Stagecoach and Tripper cards have combined to ensure that any Smartcard from these operators now works across multiple modes of transport delivering real interoperability. SPT is also continuing to work with a host of operators within the Zonocard Forum on redeveloping the long established Zonocard product as a smart enabled ticketing product, with a simplified zone structure, more flexible ticketing options and modern accessible purchasing routes. It is anticipated that the product will go live in 2023/24.

## Preparation of the Annual Accounts

The annual accounts demonstrate SPT's sound stewardship of the public funds it controls and manages. The annual accounts have been prepared in accordance with the CIPFA 'Code of Practice on Local Authority Accounting in the United Kingdom 2022/23' (the "Code") which is based upon International Financial Reporting Standards (IFRS). Therefore, the Code, which remains the authoritative accounting standard for local authorities (and related bodies) across the UK, is based upon internationally common accounting practices.

Pages 18 to 29 of the annual accounts set out the accounting policies adopted by SPT in the preparation of the annual accounts to ensure that the annual accounts give a 'true and fair view' of SPT's financial position.

## Financial Review

The Comprehensive Income and Expenditure Statement (CIES) on page 30 shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

The COVID-19 pandemic had a material, negative impact on SPT's finances in both 2020/21 and 2021/22 which required support from Transport Scotland in the form of COVID Light Rail Support Grant. In 2022/23 there has been very positive recovery in terms of Subway patronage with passenger numbers increasing gradually during the course of the financial year, with the current average over 90% of pre-Covid levels. There is, naturally, some variability in this percentage between days with the highest daily passenger numbers occurring in and around the weekend when more social/leisure related journeys occur. However, operational and earned income was still £1.9 million lower than in the financial year 2019/20.

SPT's net revenue budget was set at £36.281 million, of which £35.631 million was financed by requisition from the 12 local authority partners in the SPT area and £0.650 million was financed by Scottish Government direct grants. Requisition and Scottish Government grant was received as budgeted for.

In the last year, new financial pressures have come to the forefront, including the rapid increase in inflation, significant increases in gas and electricity prices and potential cuts in public services and funding, all of which could have material impacts on internal and external costs. In 2022/23 these financial impacts have been managed through close management of budgets, efficiency plans and short-term expenditure controls to ensure that SPT services were delivered within budget and available funding.

Given the positive 2022/23 position a review of the reserves balances was undertaken to assess the most appropriate placement of the remaining 2022/23 balance unallocated. While this is an extremely positive and welcome position, it is not sustainable in the long-term due to rising employee costs, significant utilities cost increases, contract inflation pressures, increase supported services contract costs and interest rates forecast to reduce in 2024.

As a result of close management of all expenditure lines and in year positive movements in Subway income and interest received in 2022/23 this allowed SPT to reinstate the planned 2022/23 contribution to the Subway Fund of £5.070m (2021/22: £7.820 million). This will support the long-term requirement to fund subway modernisation and associated costs. A contribution of £4.325 million (2021/22: £0 million) was made to the Subway Infrastructure Fund in 2022/23. Subway Infrastructure which includes the maintenance of tunnels and track requires ongoing support so an increase to this fund will provide financial resilience to cover the costs of future infrastructure activities. Also, a contribution of £2 million (2021/22: £0 million) was made to The Transport Future Investment Fund and will support the pipeline of projects that can enter the capital programme.

## Balance Sheet

SPT's balance sheet is shown on page 31 of the annual accounts and provides details of SPT's assets and liabilities as at 31 March 2023. SPT continues to have significant balances under Short-term Investments and Cash and Cash Equivalents. The current balance for Short-term Investments is £55.486 million (2021/22: £96.126 million) and for Cash and Cash Equivalents the balance is £108.677 million (2021/22: £79.506 million). The balances are so significant predominantly due to funds being set aside within Reserves and the Capital Grants Unapplied Account to fund the Subway Modernisation.

## Cash Flow Statement

The Cash Flow Statement on page 32 of the annual accounts summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes during the year.

## Total Movement in Reserves

The Movement in Reserves Statement on page 33 of the annual accounts shows the movement in revenue and capital reserves held by SPT as at 31 March 2023. The major movements in reserves in the year are: an increase in the General Fund Balance of £9.344 million; a decrease in the Capital Grants Unapplied Account of £19.058 million; an increase in the Revaluation Reserve of £2.839 million; an increase in the Capital Adjustment Account of £21.897 million; and a decrease in the Pensions Reserve of £29.233 million.

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

## Capital Expenditure

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

Details of capital expenditure are provided in note 23 (page 65 of the annual accounts). Total expenditure in support of the programme amounted to £37.111 million (2021/22: £25.793 million). The programme was funded by: £15.327 million Scottish Government general capital grant; £0.488 million Scottish Government regional active travel grant; £19.116 million Scottish Government specific capital grant in support of Subway Modernisation; £0.129 million in other grants and contributions; and £2.051 million direct revenue contributions from the Subway Infrastructure Fund.

The Subway Modernisation programme continues with significant progress made in 2022/23 towards the introduction of new rolling stock, signalling and associated equipment.

A funding swap arrangement entered into with other Regional Transport Partnerships in 2007/08 has not yet crystallised and £1.564 million remains outstanding. This will be returned in 2023/24.



## Valuation of Non-current Assets

In 2022/23 all properties were revalued in accordance with the Code. For Land & Buildings, this resulted in revaluation gains of £2.112 million being credited to the Comprehensive Income and Expenditure Statement (CIES) and £9.484 million being credited to the Revaluation Reserve. For Investment Properties, this resulted in revaluation gains of £0.640 million being credited to the CIES.

As a result of the Subway Modernisation programme, an annual review has been instigated of all Subway assets to determine if any would be rendered obsolete ahead of their scheduled useful life by the planned investment in new assets. This review also incorporates non-subway assets. In 2022/23, an impairment loss of £0.075 million has been identified (2021/22: £0 million) on Digital equipment following a review of the estimated useful life.

## Pension Assets and Liabilities

The common position for employers participating in the Strathclyde Pension Fund is that the International Accounting Standard 19 (IAS19), 'Retirement Benefits' calculation (page 52 of the annual accounts) is based on a snapshot valuation as at 31 March 2023, which shows a surplus of £98.274 million (2021/22: £30.586 million). The surplus has been amended downwards by £96.921 million to £1.353 million due to the guidance contained within IAS 19 / IFRIC 14, which states that any potential asset should be limited to the estimated future service costs less the minimum contributions required, otherwise known as the asset ceiling. This is not a SPT specific issue but will apply to all bodies in the UK with a Local Government Pension Scheme asset surplus.

## Membership of the Partnership

Details of the Members of the Partnership at 31 March 2023 are shown on page 3 of the annual accounts. This section forms part of the management commentary.

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

*Stephen Dorman*

**Stephen Dorman**  
Chair

29 September 2023

*Valerie Davidson*

**Valerie Davidson**  
Chief Executive

29 September 2023

*Neil Wylie*

**Neil Wylie**  
Director of Finance & Corporate Support

29 September 2023

# Statement of Responsibilities

## The Partnership's responsibilities

The Partnership is required to:

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

## The Director of Finance & Corporate Support responsibilities

The Director of Finance & Corporate Support is responsible for the preparation of the Partnership's statement of accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code of Practice").

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

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

**I certify that the Annual Accounts have been approved for signature by the Partnership at its meeting on 29 September 2023.**

*Stephen Dorman*

**Stephen Dorman**  
Chair

29 September 2023

**I certify that the Annual Accounts give a true and fair view of the financial position of SPT at the reporting date and the transactions of SPT for the year ended 31 March 2023.**

*Neil Wylie*

**Neil Wylie**  
Director of Finance & Corporate Support

29 September 2023

# Annual Governance Statement

## Scope of the Governance Framework

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

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

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

It was important to SPT that every effort was made to maintain the highest standards of governance throughout 2022/2023.

## The Purpose of the Governance Framework

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

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

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

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

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

## The Governance Framework

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

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

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

These arrangements are supplemented by HR policy and guidance.

*Revised Code of Conduct for Employees* was presented to and approved by the Personnel committee at its meeting of 26 August 2022.

A full committee cycle for all members was held throughout 2022/2023 via video conferencing and in-person meetings.

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

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

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

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

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

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

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

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

The new *Regional Transport Strategy – Final draft* was presented to and approved by the Partnership for submission to Scottish Ministers at its meeting of 17 March 2023.

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

The Annual Statement on Sustainable Economic Growth sets out the steps that SPT has taken in 2022/2023 to promote and increase sustainable growth through the exercise of its functions.

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

The Strathclyde Partnership for Transport Annual Report 2021/2022 was presented to and approved by the Partnership at its meeting of 30 September 2022 and shared widely with all stakeholders.

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

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

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

The SPT strategy group and senior management receive advice and guidance from officer led groups responsible for the consideration of, for example, environmental sustainability, Digital transformation, and health and safety to drive and direct the decision-making process. This advice is supplemented by external support provided by specialist professionals and services, where appropriate. During 2022/2023, this included the presentation of the *Annual Safety Performance report 2021/2022* to the Personnel committee at its meeting of 26 August 2022.

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

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

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

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

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

A *Learning and Development update* and activity report covering all areas of service delivery was presented to and noted by the Personnel committee at its meeting of 26 August 2022.

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

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

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

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

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

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

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

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

The Standing Orders relating to the Partnership was presented to and approved by the Partnership at its meeting of 24 June 2022.

Updated Standing Orders relating to the Partnership was presented to and approved by the Partnership at its meeting of 17 March 2023.

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

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

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

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

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

The *SPT Corporate Plan* was presented to and noted by the Partnership at its meeting of 30 September 2022.

## Monitoring and Review of Governance Arrangements

SPT's governance arrangements are formally monitored via:

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

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

## Financial Management Code

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

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

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

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

## Statutory Role

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

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

## System of Internal Financial Control

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

This statement applies to the 2022/2023 annual accounts for SPT. We acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned.

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

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

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

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



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

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

The effectiveness of internal financial controls is informed by officers throughout SPT and the Audit and Standards committee (as the scrutiny committee) and by the work of internal and external audit. It is SPT's view that the systems for internal control were effective during 2022/2023 with no identified material weaknesses, and will be improved through implementation of the recommended actions from internal and external audit reports, and continuous corporate business planning.

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

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

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

*Stephen Dorman*

**Stephen Dorman**

Chair

29 September 2023

*Valerie Davidson*

**Valerie Davidson**

Chief Executive

29 September 2023

# Accounting Policies

## General Principles

The annual accounts for the year ended 31 March 2023 have been compiled on the basis of recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code). The Code is based on International Financial Reporting Standards (IFRS) with interpretation appropriate to the public sector. The statements are designed to give a 'true and fair view' of the financial performance and position of SPT for 2022/23.

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

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

## 1. Basis of preparation

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

### • Revenue income and debtors

All transactions relating to the period to 31 March 2023 have been matched and accounted for in the period to which they relate. Government grants and other contributions are accounted for on an accruals basis and are recognised as income when the conditions of entitlement have been satisfied and there is reasonable assurance that the monies will be received.

### • Revenue from contracts with service recipients

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

### • Revenue expenditure and creditors

Sundry creditors are accrued on the basis of payments made following 31 March 2023 relating to goods or services received in the year together with specific accruals in respect of further material items.

### • Capital transactions

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

## 2. Leases and Lease Type Arrangements

### Finance Leases

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

### Operating Leases

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

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

## 3. Employee Benefits

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

## 4. Termination Benefits

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

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

## 5. Retirement Benefits

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

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

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

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

### Service cost comprising:

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

### Remeasurements comprising:

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

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

Further details of Pension Costs can be found in note 15 on pages 49 to 56.

## 6. Stocks for repair and maintenance

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

## 7. Allocation of overheads

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

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

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

## 9. Investments

Surplus cash balances are invested with major financial institutions as part of SPT's treasury management function. In compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Prudential Code for Capital Finance in Local Authorities (2021)', SPT has adopted the CIPFA 'Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2017)'. All interest received is credited to the CIES.

## 10. Cash and Cash Equivalents

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

## 11. Provisions and Contingent Liabilities

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

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

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

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

## 12. Value Added Tax (VAT)

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

### 13. Usable and Unusable Reserves

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

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

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

### 14. Capital Grant

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

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

### 15. Intangible assets

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

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

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

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

### 16. Property, Plant and Equipment

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

#### Recognition

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

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Land and buildings were revalued by SPT's valuer as at 31 March 2023 and will be revalued in accordance with the valuer's 5-year programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

### Impairment

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

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

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

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

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

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

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

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

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

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

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

### Depreciation

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



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

Depreciation is calculated on the following basis:

Category	Valuer	Current Basis of Valuation	Date of Last Valuation	Useful Life
Land & Buildings	External Valuer	Lower of net current replacement cost or net realisable value in existing use	31/03/2023	Land: Not Applicable Buildings: 2 – 100 years
Plant & Machinery	Not applicable	Cost	N/A	2-30 years
Rolling Stock and Vehicles	Not applicable	Cost	N/A	2-25 years
Sundry Assets	Not applicable	Cost	N/A	2-40 years
<b>Non – Operational Assets</b>				
Assets Under Construction	Not applicable	Cost	N/A	N/A
Investment Properties	External Valuer	Market Value	31/03/2023	N/A
Investment Properties Held for Sale	Not applicable	Market Value	N/A	N/A
Land (non-operational)	Not applicable	Market Value	N/A	N/A

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

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

### Investment properties

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

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

### Infrastructure Assets

Infrastructure Assets relate to the Subway network and are comprised of the Tunnels, Track and associated Electrical infrastructure.

### Recognition

Expenditure on the acquisition or replacement of components of the Subway network is capitalised on an accruals basis, provided that it is probable that the future economic benefits associated with the item will flow to SPT and the cost of the item can be measured reliably.

### Measurement

Subway network infrastructure assets are measured at depreciated historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

### Depreciation

Depreciation is provided on the parts of the Subway network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the Subway network are assessed by the Head of Engineering using industry standards where applicable as follows:

Category	Useful Life
Tunnels	15-40 years
Track	30 years
Electrical	5-40 years

### Derecognition

The Scottish Government issued a Statutory Override under section 12(2)(b) of the Local Government in Scotland Act 2003 to manage historic issues surrounding the derecognition of infrastructure asset components, which had the potential for the gross cost of assets to be overstated, albeit that the NBV was still materially correct. SPT has adopted the Statutory Overrides in full, but particularly relevant to derecognition is Override 2, which is detailed below:

*For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.*

## 17. Related party transactions

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

## 18. Financial instruments

### Financial Liabilities

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

### Financial Assets

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

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

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

### Financial Assets Measured at Amortised Cost

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

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

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

## 19. Revenue Expenditure Funded from Capital under Statute

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

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

## 20. Heritage Assets

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

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

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

## 21. Accounting Standards Issued Not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2022/23 Code:

- Definition of Accounting Estimates (Amendments to IAS8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax relates to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

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

## 22. Critical judgements made in applying accounting policies

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

- Judgements made in respect of non-current assets as set out in accounting policy, 16 – Property Plant & Equipment. Land & Buildings are held at current value and are revalued on a five-year rolling basis, but additional valuations may be carried out on an ad hoc basis out with the rolling programme arrangements, for example, when asset has been significantly modernised / upgraded. All SPT Land & Building assets were revalued as at 31/03/2023.
- All other operational asset classes are valued on an historic cost basis. SPT asserts that at any point in time, the carrying amount does not differ materially from that which would be determined using current value.

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

The Financial Statements contain estimated figures that are based on assumptions made by SPT about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The item in SPT's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if
Pensions Asset	Estimation of the net asset to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied. The net pension asset of £1.353m is shown under long-term assets on the face of the balance sheet.	<p>The sensitivities regarding the principal assumptions used by the consulting actuaries to measure the scheme liabilities are set out below:</p> <ul style="list-style-type: none"> <li>• A 0.1% decrease in the real discount rate would result in a 2% increase (£3.132 million) in the employer's obligation.</li> <li>• A 0.1% increase in the salary increase rate would result in a 0% increase (£0.317 million) in the employer's obligation.</li> <li>• A 0.1% increase in the pension increase rate would result in a 2% increase (£2.861 million) in the employer's obligation.</li> <li>• A 1-year increase in life expectancy would result in a 4% increase (£7.455 million) in the employer's obligation.</li> </ul>

# Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

2021/22			2022/23			
Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000		Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000
28,815	(19,530)	9,285	Subway operations	31,232	(19,905)	11,327
19,184	(2,652)	16,532	Bus operations	19,908	(2,490)	17,418
1,379	0	1,379	Operations - Other	1,189	0	1,189
4,334	(356)	3,978	Business Support	3,784	(390)	3,394
15,826	(1,358)	14,468	Corporate	18,332	(1,323)	17,009
<b>69,538</b>	<b>(23,896)</b>	<b>45,642</b>	<b>Cost Of Services</b>	<b>74,445</b>	<b>(24,108)</b>	<b>50,337</b>
		(40)	Other Operating Expenditure (Note 5)			5,310
		(1,001)	Financing and Investment Income and Expenditure (note 6)			(5,931)
		(51,769)	Taxation and Non-Specific Grant Income (note 7)			(52,283)
		<b>(7,168)</b>	<b>Surplus on Provision of Services</b>			<b>(2,567)</b>
		0	Revaluation of non-current assets (note 9, Revaluation Reserve)			(9,485)
		(34,019)	Actuarial (gains) / losses on pension assets / liabilities and asset ceiling adjustment (note 9, Pensions Reserve)			26,169
		0	Other Comprehensive Income and Expenditure			0
		<b>(41,187)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>14,117</b>

# Balance Sheet as at 31 March 2023

31 March 2022 £000		Note	31 March 2023 £000
285,574	Property, Plant & Equipment	22	309,824
5,035	Investment Properties	19	5,675
391	Intangible Assets	20	237
5	Investments in Joint Ventures and Associates	33	5
30,586	Other Long-term Assets (Pensions)	15	1,353
<b>321,591</b>	<b>Long-term Assets</b>		<b>317,094</b>
96,126	Short-term Investments	25	55,486
725	Inventories	26	703
4,809	Short-term Debtors	27	12,600
79,506	Cash and Cash Equivalents	13	108,677
<b>181,166</b>	<b>Current Assets</b>		<b>177,466</b>
(19,399)	Short-term Creditors	28	(25,310)
(55)	Provisions	29	(64)
<b>(19,454)</b>	<b>Current Liabilities</b>		<b>(25,374)</b>
<b>483,303</b>	<b>Net Assets</b>		<b>469,186</b>
169,393	Usable Reserves	8	159,765
313,910	Unusable Reserves	9	309,421
<b>483,303</b>	<b>Total Reserves</b>		<b>469,186</b>

The unaudited accounts were issued on 9 June 2023 and the audited accounts were authorised for issue on 29 September 2023.

*Neil Wylie*

**Neil Wylie**

Director of Finance & Corporate Support

29 September 2023

# Cash Flow Statement for the year ended 31 March 2023

<b>2021/22</b> <b>£000</b>		<b>2022/23</b> <b>£000</b>
7,168	Net surplus or (deficit) on the provision of services	2,567
21,889	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 10)	27,165
(491)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,919)
<hr/> 28,566	Net cash flows from Operating Activities	<hr/> 25,813
(20,486)	Investing Activities (note 11)	7,534
0	Financing Activities (note 12)	(4,176)
<hr/> 8,080	Net increase or (decrease) in cash and cash equivalents	<hr/> 29,171
71,426	Cash and cash equivalents at the beginning of the reporting period	79,506
<hr/> <b>79,506</b> <hr/> <hr/>	<b>Cash and cash equivalents at the end of the reporting period (note 12)</b>	<hr/> <b>108,677</b> <hr/> <hr/>



# Movement in Reserves Statement

Current year	General Fund Balance £000	Insurance Fund £000	Capital Fund £000	Renewal and Repair Fund £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Partnership Reserves £000
<b>Balance at 31 March 2022</b>	<b>100,335</b>	<b>1,219</b>	<b>26,173</b>	<b>1,500</b>	<b>40,166</b>	<b>169,393</b>	<b>313,910</b>	<b>483,303</b>
<b>Movement in reserves during 2022/23</b>								
Total Comprehensive Income and Expenditure	2,567	0	0	0	0	2,567	(16,684)	(14,117)
Adjustments to usable reserves permitted by accounting standards	1,336	0	0	0	0	1,336	(1,336)	0
Adjustments between accounting basis & funding basis under regulations (note 3)	5,441	0	86	0	(19,058)	(13,531)	13,531	0
<b>Increase / (decrease) in 2022/23</b>	<b>9,344</b>	<b>0</b>	<b>86</b>	<b>0</b>	<b>(19,058)</b>	<b>(9,628)</b>	<b>(4,489)</b>	<b>(14,117)</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>109,679</b>	<b>1,219</b>	<b>26,259</b>	<b>1,500</b>	<b>21,108</b>	<b>159,765</b>	<b>309,421</b>	<b>469,186</b>

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

# Notes to the Financial Statements

## 1A. Expenditure and Funding Analysis for the year ended 31 March 2023

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

2021/22			2022/23			
Net Expenditure/ (Income) Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure/ (Income) Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
1,674	7,611	9,285	Subway operations	5,582	5,745	11,327
14,527	2,005	16,532	Bus operations	16,146	1,272	17,418
1,047	332	1,379	Operations - Other	934	255	1,189
3,258	720	3,978	Business Support	2,882	512	3,394
2,106	12,362	14,468	Corporate	(658)	17,667	17,009
13,820	(13,820)	0	Contribution to Subway Fund /Reserves	11,395	(11,395)	0
<b>36,432</b>	<b>9,210</b>	<b>45,642</b>	<b>Cost Of Services</b>	<b>36,281</b>	<b>14,056</b>	<b>50,337</b>
(36,432)	(16,378)	(52,810)	Other Income and Expenditure	(36,281)	(16,623)	(52,904)
<b>0</b>	<b>(7,168)</b>	<b>(7,168)</b>	<b>(Surplus) or Deficit</b>	<b>0</b>	<b>(2,567)</b>	<b>(2,567)</b>
(87,013)			Opening General Fund Balance	(100,335)		
(13,322)			Less (Surplus)/Deficit on General Fund	(9,344)		
<b>(100,335)</b>			<b>Closing General Fund Balance</b>	<b>(109,679)</b>		

**1B. Note to the Expenditure and Funding Analysis Statement (2022/23) –  
Adjustments from General Fund to arrive at the Comprehensive Income and  
Expenditure Statement amounts**

Current year	Adjustments for Capital Purposes £000	Net change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Subway operations	3,421	2,248	76	5,745
Bus operations	377	596	299	1,272
Operations – Other	0	255	0	255
Business Support	0	512	0	512
Corporate	13,304	229	4,134	17,667
Contribution to Subway Fund / Reserves	(11,395)	0	0	(11,395)
<b>Cost of Services</b>	<b>5,707</b>	<b>3,840</b>	<b>4,509</b>	<b>14,056</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>1,855</b>	<b>(774)</b>	<b>(17,704)</b>	<b>(16,623)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus on the Provision of Services</b>	<b>7,562</b>	<b>3,066</b>	<b>(13,195)</b>	<b>(2,567)</b>

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

Comparative Information for 2021/22	Adjustments for Capital Purposes £000	Net change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Subway operations	5,038	2,504	69	7,611
Bus operations	1,017	686	302	2,005
Operations – Other	0	332	0	332
Business Support	0	720	0	720
Corporate	11,501	179	682	12,362
Contribution to Subway Fund	(13,820)	0	0	(13,820)
<b>Cost of Services</b>	<b>3,736</b>	<b>4,421</b>	<b>1,053</b>	<b>9,210</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(4,384)</b>	<b>23</b>	<b>(12,017)</b>	<b>(16,378)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus on the Provision of Services</b>	<b>(648)</b>	<b>4,444</b>	<b>(10,964)</b>	<b>(7,168)</b>

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

Income received on a segmental basis is analysed below:

	2021/22 £000	2022/23 £000
<b>Subway Operations</b>		
Ticket Income	(12,847)	(18,827)
Advertising Income	(398)	(549)
Miscellaneous Income	(656)	(529)
Rental Income	(69)	(76)
COVID Light Rail Support Grant (Scottish Government)	(5,629)	0
<b>Total Subway Income</b>	<b>(19,599)</b>	<b>(19,981)</b>
<b>Bus Operations</b>		
Bus Departures and Parking	(1,151)	(1,183)
Agency Services	(526)	(517)
Miscellaneous Income	(830)	(559)
Rental Income	(302)	(299)
Bus Station Facilities	(113)	(170)
Advertising	(32)	(61)
<b>Total Bus Income</b>	<b>(2,954)</b>	<b>(2,789)</b>
<b>Business Support</b>		
Agency Services	(357)	(390)
<b>Total Business Support</b>	<b>(357)</b>	<b>(390)</b>
<b>Corporate</b>		
Interest Received	(491)	(3,919)
Agency Services	(1,240)	(1,240)
Rental Income	(206)	(223)
Miscellaneous Income	(118)	(83)
<b>Total Corporate Income</b>	<b>(2,055)</b>	<b>(5,465)</b>
<b>Total income analysed on a segmental basis</b>	<b>(24,965)</b>	<b>(28,625)</b>

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

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

## 2. Expenditure and Income Analysed by Nature

2021/22 £000		2022/23 £000
	<b>Expenditure</b>	
22,072	Employee costs	23,577
5,981	Premises costs	6,828
1,543	Supplies and services	1,534
94	Transport and plant	97
17,887	Third party payments	21,476
11,027	Financing costs (including impairments)	13,602
10,939	Grant Fund to Local Authorities and Others	12,641
23	Pension interest cost and expected return on pension assets	0
<b>69,566</b>	<b>Total Expenditure</b>	<b>79,755</b>
	<b>Income</b>	
(15,987)	Government grants	(16,523)
(35,782)	Other grants, reimbursements & contributions	(35,760)
(24,474)	Customer and client receipts	(24,108)
(491)	Financing and investment income	(5,931)
<b>(76,734)</b>	<b>Total Income</b>	<b>(82,322)</b>
<b>(7,168)</b>	<b>Surplus on Provision of Services</b>	<b>(2,567)</b>

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

2022/23

	Usable Reserves		
	General Fund Balance £000	Capital Fund £000	Capital Grants Unapplied Account £000
<b>Adjustments to the revenue resources</b>			
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>			
Pensions costs (transferred from (or to) the Pensions Reserve)	3,064	0	0
Holiday pay (transferred from (or to) the Accumulated Absences Account)	(8)	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	4,522	0	58
<b>Total adjustments to revenue resources</b>	<b>7,578</b>	<b>0</b>	<b>58</b>
<b>Adjustments between revenue and capital resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Fund	(86)	86	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(2,051)	0	0
<b>Total adjustments between revenue and capital resources</b>	<b>(2,137)</b>	<b>86</b>	<b>0</b>
<b>Adjustments to capital resources</b>			
Application of capital grants to finance capital expenditure	0	0	(19,116)
<b>Total adjustments to capital resources</b>	<b>0</b>	<b>0</b>	<b>(19,116)</b>
<b>Total adjustments</b>	<b>5,441</b>	<b>86</b>	<b>(19,058)</b>

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

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

2021/22 comparative information

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

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

#### 4. Movement in General Fund Balance

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

General Fund Balance	Balance at 1 April 2021 £000	Transfers out 2021/22 £000	Transfers in 2021/22 £000	Balance at 31 March 2022 £000	Transfers out 2022/23 £000	Transfers in 2022/23 £000	Balance at 31 March 2023 £000
Subway Modernisation Fund	45,423	0	7,820	53,243	0	5,070	58,313
Subway Infrastructure Fund	20,000	(498)	0	19,502	(2,051)	4,325	21,776
Transport Future Investment Fund	10,000	0	0	10,000	0	2,000	12,000
Strategic Bus Routes Fund	3,723	0	1,500	5,223	0	0	5,223
<b>Earmarked</b>	<b>79,146</b>	<b>(498)</b>	<b>9,320</b>	<b>87,968</b>	<b>(2,051)</b>	<b>11,395</b>	<b>97,312</b>
<b>Non-earmarked</b>	<b>7,867</b>	<b>0</b>	<b>4,500</b>	<b>12,367</b>	<b>0</b>	<b>0</b>	<b>12,367</b>
<b>Total</b>	<b>87,013</b>	<b>(498)</b>	<b>13,820</b>	<b>100,335</b>	<b>(2,051)</b>	<b>11,395</b>	<b>109,679</b>



#### 4. Movement in General Fund Balance (continued)

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

An updated Reserves Policy and an annual review of the reserve balances, as part of the budget setting process, was considered and approved by the Partnership at its meeting on 17 March 2023 and can be found at:

[spt.co.uk/media/q4rb3ott/p170323\\_agenda6.pdf](https://spt.co.uk/media/q4rb3ott/p170323_agenda6.pdf)

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

##### **Subway Modernisation Fund**

To fund any severance costs following on from the re-organisation of both Operations and Maintenance within the Subway. In addition, to meet SPT's on-going obligation to fund the overall Subway Modernisation Programme and to ensure that the new assets are overhauled and maintained to a high standard.

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

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

##### **Transport Future Investment Fund**

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

##### **Strategic Bus Routes Fund**

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

##### **Non-earmarked Balance**

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

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

2021/22 £000		2022/23 £000
(40)	Gains/losses on disposal of non-current assets	5,310
<b>(40)</b>	<b>Total</b>	<b>5,310</b>

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

2021/22 £000		2022/23 £000
23	Pensions interest cost and expected return on pensions assets	(774)
44	Revaluation of Investment Property	(640)
(577)	Net rental income	(598)
(491)	Interest receivable and similar income	(3,919)
<b>(1,001)</b>	<b>Total</b>	<b>(5,931)</b>

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

2021/22 £000		2022/23 £000
(35,782)	Funding received as requisition from constituent local authorities	(35,631)
(11,599)	Scottish Government Revenue Grant	(13,837)
(4,388)	Scottish Government Capital Grant	(2,686)
0	Other Capital Grant	(129)
<b>(51,769)</b>	<b>Total</b>	<b>(52,283)</b>

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

## 8. Balance Sheet – Usable Reserves

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

## 9. Balance Sheet – Unusable Reserves

31 March 2022 £000		31 March 2023 £000
64,141	Revaluation Reserve	66,980
219,378	Capital Adjustment Account	241,275
30,586	Pensions Reserve	1,353
(195)	Accumulating Absences Account	(187)
<b>313,910</b>	<b>Total Unusable Reserves</b>	<b>309,421</b>

### Revaluation Reserve

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

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

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

2021/22 £000		2022/23 £000
<b>65,388</b>	<b>Balance at 1 April</b>	<b>64,141</b>
0	Upward revaluation of assets	11,774
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,289)
0	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	9,485
(1,247)	Difference between fair value depreciation and historical cost depreciation	(1,336)
0	Accumulated gains on assets sold or scrapped, written off to the Capital Adjustment Account	(5,310)
<b>64,141</b>	<b>Balance at 31 March</b>	<b>66,980</b>

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

### Capital Adjustment Account

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

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

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

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

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

2021/22 £000		2022/23 £000
209,939	<b>Balance at 1 April</b>	<b>219,378</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>	
(5,148)	Charges for depreciation and impairment of non-current assets	(5,054)
0	Revaluation of property, plant and equipment	2,112
(223)	Amortisation of intangible assets	(185)
(10,939)	Revenue expenditure funded from capital under statute	(12,641)
0	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,396)
(16,310)		(21,164)
0	Adjusting amounts written out of the Revaluation Reserve	5,310
(16,310)	Net written out amount of the cost of non-current assets consumed in the year	(15,854)
	<b>Capital financing applied in the year:</b>	
15,327	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	15,944
9,968	Application of grants to capital financing from the Capital Grants Unapplied Account	19,116
498	Capital expenditure charged against the General Fund	2,051
25,793		37,111
(44)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	640
<b>219,378</b>	<b>Balance at 31 March</b>	<b>241,275</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. SPT accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed, as SPT makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. For the current financial year, the pension asset of £98.274 million has been adjusted for the asset ceiling calculation required by IAS 19 / IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

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

2021/22 £000		2022/23 £000
<b>1,011</b>	<b>Balance at 1 April</b>	<b>30,586</b>
34,019	Actuarial gains or (losses) on pension assets and liabilities	70,752
0	Asset Ceiling Adjustment	(96,921)
(7,866)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(6,558)
3,422	Employer's pensions contributions and direct payments to pensioners payable in the year	3,494
<b>30,586</b>	<b>Balance at 31 March</b>	<b>1,353</b>

### Accumulated Absences Account

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

2021/22 £000		2022/23 £000
<b>(210)</b>	<b>Balance at 1 April</b>	<b>(195)</b>
15	Settlement or cancellation of accrual made at the end of the preceding year	8
0	Amounts accrued at the end of the current year	0
15	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	8
<b>(195)</b>	<b>Balance at 31 March</b>	<b>(187)</b>

## 10. Cash Flow Statement – Non Cash Movements

2021/22 £000		2022/23 £000
6,395	Depreciation (note 22)	6,315
0	Asset impairments (note 21)	75
0	Revaluation of property, plant and equipment (note 22)	(2,112)
44	Revaluation of investment properties (note 19)	(640)
223	Amortisation of intangible assets (note 20)	185
4,444	(Charges)/credit for retirement benefits (note 15)	3,064
(40)	(Gain)/loss on asset disposal (note 5)	5,310
19	Increase / (decrease) in provisions for liabilities and charges (note 29)	9
10,939	Revenue expenditure funded from capital (note 23)	12,641
	Accruals adjustments:	
(31)	(Increase)/decrease in inventory	22
2,881	(Increase)/decrease in debtors	(4,599)
(2,985)	Increase/(decrease) in creditors	6,895
<b>21,889</b>	<b>Total</b>	<b>27,165</b>

## 11. Cash Flow Statement – Investing Activities

2021/22 £000		2022/23 £000
(25,793)	Purchase of property, plant and equipment, investment property, intangible assets and grants	(37,111)
4,776	Purchase of short-term and long-term investments	40,640
40	Proceeds from the sale of property, plant and equipment, investment properties and intangible assets	86
491	Interest received (note 6)	3,919
<b>(20,486)</b>	<b>Net cash flows from investing activities</b>	<b>7,534</b>

## 12. Cash Flow Statement – Financing Activities

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

2021/22 £000		2022/23 £000
0	Other receipts from financing activities (note 28)	(984)
0	Other payments for financing activities (note 27)	(3,192)
<b>0</b>	<b>Net cash flows from financing activities</b>	<b>(4,176)</b>

Net cash flows from financing activities arise from SPT's Agency Activities (note 18).

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

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

31 March 2022 £000		31 March 2023 £000
16	Cash held by SPT	15
33,633	Current accounts with banks and building societies	17,404
45,857	Short-term deposits with banks and building societies	91,258
<b>79,506</b>	<b>Total cash and cash equivalents</b>	<b>108,677</b>

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

## 14. External Audit Costs

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

2021/22 £000		2022/23 £000
76	Fees payable with regard to external audit services carried out by the appointed auditor for the year	85
0	Fees payable for additional services	1
<b>76</b>	<b>Total</b>	<b>86</b>



## 15. Defined Benefit Pension Schemes

### Participation in pension schemes

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

### Benefits

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

### Governance

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

## 15. Defined Benefit Pension Schemes (continued)

### Principal Risks

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

### Discretionary Post-employment Benefits

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

### Transactions Relating to Post-employment Benefits

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

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

On 7 February 2018, the International Accounting Standards Board (IASB) issued amendments to the IAS19 standard for plan amendments, curtailments and settlements ("special events"). This affects any IAS19 employers with events such as bulk transfers or redundancies over the year.

The amendment requires restating the profit and loss items from the date of an event, by remeasuring both the asset and the liabilities using assumptions set at the event date. The impact of applying the amendment would adjust amounts between the Profit and Loss (P&L) and the Other Comprehensive Income (OCI). A triggering significant event has been defined as an event which impacts greater than 5% of an employer's active membership. There have been no events in 2022/23, which breach the 5% of active membership significance level and as such no adjustments have been made to the financial statements.

## 15. Defined Benefit Pension Schemes (continued)

The following transactions have been made in the financial statements in 2022/23 and the prior year 2021/22.

	2021/22 £000	2022/23 £000
<b>Comprehensive Income and Expenditure Statement (CIES)</b>		
Cost of Services:		
Service cost comprising		
• current service cost	7,709	7,332
• past service costs (including curtailments)	134	0
• curtailments and unfunded benefits	0	0
Financing and Investment Income and Expenditure		
• net interest expense	23	(774)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>7,866</b>	<b>6,558</b>
<b>Other Post Employment Benefit Charged to the CIES</b>		
• expected return on scheme assets	(15,556)	(12,424)
• re-measurements	(18,463)	83,176
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>(26,153)</b>	<b>77,310</b>
<b>Movement in Reserves Statement</b>		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	4,444	3,064
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers' contributions payable to scheme	3,422	3,494

## 15. Defined Benefit Pension Schemes (continued)

### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	2021/22 £000	2022/23 £000
Present value of scheme liabilities	(262,099)	(186,376)
Fair value of scheme assets	292,685	284,650
<b>Surplus / (Deficit)</b>	<b>30,586</b>	<b>98,274</b>
Asset Ceiling Adjustment	0	(96,921)
<b>Pension Assets</b>	<b>30,586</b>	<b>1,353</b>

The pension asset / surplus on the defined benefit plan is shown under Long-term Assets in the Balance Sheet, but has been adjusted in 2022/23 for the ceiling calculation required by IAS19 / IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The revised asset value is the estimated future service cost (£36.774 million) less the minimum contributions required (£35.421 million) resulting in the asset ceiling (the economic benefit available to SPT) of £1.353 million.

## 15. Defined Benefit Pension Schemes (continued)

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

	2021/22 £000	2022/23 £000
<b>Opening fair value of pension fund assets at 1 April</b>	<b>275,313</b>	<b>292,685</b>
Interest income	5,471	7,856
Re-measurement gains and (losses)		
• Other experiences	0	0
• The return on plan assets, excluding the amount included in the net interest expense	15,556	(12,424)
Contributions from employers	3,422	3,494
Contributions from employees into the scheme	1,019	1,091
Benefits paid	(8,096)	(8,052)
<b>Closing balance at 31 March</b>	<b>292,685</b>	<b>284,650</b>

### Reconciliation of Present Value of the Scheme Liabilities

	2021/22 £000	2022/23 £000
<b>Opening balance at 1 April</b>	<b>274,302</b>	<b>262,099</b>
Current service cost	7,709	7,332
Interest cost	5,494	7,082
Contributions by Pension Fund participants	1,019	1,091
Re-measurement (gains) and losses:		
• (Gains) / Losses arising from changes in demographic assumptions	(1,757)	(2,281)
• (Gains) / Losses arising from changes in financial assumptions	(17,013)	(93,743)
• (Gains) / Losses Other	307	12,848
Past service costs (including curtailments)	134	0
Benefits paid	(8,096)	(8,052)
<b>Closing balance at 31 March</b>	<b>262,099</b>	<b>186,376</b>

## 15. Defined Benefit Pension Schemes (continued)

### Analysis of Pension Fund's Assets

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

	2021/22			2022/23		
	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total
	£000	£000	£000	£000	£000	£000
<b>Equity instruments (by industry type)</b>						
• Consumer	13,698	13	13,711	12,735	35	12,770
• Manufacturing	12,853	44	12,897	15,463	409	15,872
• Energy & utilities	3,023	23	3,046	1,425	0	1,425
• Financial institutions	8,032	28	8,060	6,038	21	6,059
• Health & care	9,750	31	9,781	10,108	17	10,125
• Information technology	16,996	0	16,996	9,815	28	9,843
<b>Sub-total equity</b>	<b>64,352</b>	<b>139</b>	<b>64,491</b>	<b>55,584</b>	<b>510</b>	<b>56,094</b>
UK Property	0	24,683	24,683	0	23,469	23,469
Private equity	0	57,297	57,297	0	69,964	69,964
<b>Other investment funds</b>						
• Equities	1,624	106,753	108,377	1,226	93,105	94,331
• Bonds	0	29,561	29,561	0	32,828	32,828
• Commodities	0	101	101	0	111	111
• Infrastructure	0	257	257	0	1,828	1,828
• Other	0	471	471	0	632	632
<b>Sub-total other investment funds</b>	<b>1,624</b>	<b>137,143</b>	<b>138,767</b>	<b>1,226</b>	<b>128,504</b>	<b>129,730</b>
Cash and cash equivalents	7,348	99	7,447	3,937	1,456	5,393
<b>Total assets</b>	<b>73,324</b>	<b>219,361</b>	<b>292,685</b>	<b>60,747</b>	<b>223,903</b>	<b>284,650</b>

## 15. Defined Benefit Pension Schemes (continued)

### Basis for Estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:

#### Local Government Pension Scheme

	2021/22	2022/23
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	2.25%	4.75%
Bonds	2.25%	4.75%
Property	2.25%	4.75%
Cash	2.25%	4.75%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	19.6	19.3
Women	22.4	22.2
<b>Longevity at 65 for future pensioners:</b>		
Men	21.0	20.5
Women	24.5	24.2
Rate of CPI	3.20%	2.95%
Rate of increase in salaries	3.90%	3.65%
Rate of increase in pensions	3.20%	2.95%
Rate for discounting fund liabilities	2.70%	4.75%
Take-up of option to convert annual pension into retirement lump sum (Pre-April 2009)	50%	50%
Take-up of option to convert annual pension into retirement lump sum (Post-April 2009)	75%	75%

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

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

## 15. Defined Benefit Pension Schemes (continued)

Change in assumptions at 31 March 2023	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.1% decrease in Real Discount Rate	2%	3,132
1 year increase in the member life expectancy	4%	7,455
0.1% increase in the Salary Increase Rate	0%	317
0.1% increase in the Pension Increase Rate	2%	2,861

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 2023 on a varying basis. The approach taken is consistent with that adopted to derive the IAS19 figures contained in this note.

### Asset and Liability Matching (ALM) Strategy

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

### Impact on the Authority's Cash Flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. An actuarial valuation of the fund was undertaken in 2021, which has resulted in the contribution rates being set at 19.3% for the period 01/04/2021 to 31/03/2024.

The total contributions expected to be made by SPT to Strathclyde Pension Fund in the year to 31 March 2024 is £3.194 million.

The weighted average duration of the defined benefit obligation for Fund members is 18 years (2021/22 :18 years).

## 16. Events after the Balance Sheet Date

The accounts were authorised for issue by the Director of Finance & Corporate Support on 29 September 2023. 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 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 17. Related Parties

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

### Scottish Government and its agencies

During 2022/23 Transport Scotland, an agency of the Scottish Government, provided SPT with revenue grant funding of £0.650 million (2021/22: £6.279 million) and capital grants totalling £15.815 million (2021/22: £15.327 million).

Grants received but not utilised at 31 March 2023 were £21.108 million (2021/22: £40.166 million) and are included in Capital Grants Unapplied Account.



## 17. Related Parties (continued)

### Members and the 12 Local Authorities in Strathclyde

Nominated members from each of the 12 Local Authorities in Strathclyde have direct control over SPT's financial and operating policies. The total of members' allowances paid during 2022/23 is shown in the Remuneration Report.

During 2022/23 the 12 Local Authorities in Strathclyde provided funding totalling £35.632 million (2021/22: £35.782 million) in the form of requisition.

During 2022/23 SPT received revenue income and grants from local authorities totalling £0.520 million (2021/22: £0.668 million).

During 2022/23 SPT provided capital grants totalling £11.670 million (2021/22: £10.017 million) to Local Authorities within the SPT area in support of various transport improvement projects. SPT also paid for goods / services and provided revenue grants to local authorities totalling £0.891 million (2021/22: £0.921 million).

There is a balance of £4.490 million (2021/22: £0.663 million) in relation to outstanding invoices and accrued income within Short-term Debtors (note 27). There is also a balance of £10.812 million (2021/22: £9.037 million) within Short-term Creditors (note 28) which primarily relates to outstanding invoices.

### Strathclyde Concessionary Travel Scheme (SCTS)

SPT provides SCTS with administrative and overhead support, as well as sharing a number of the same board members. During 2022/23 SPT charged £0.312 million (2021/22: £0.297 million) to SCTS for the provision of these services, and £0.266 million (2021/22: £0.187 million) received in income for Concessionary Travel reimbursements. Charges and income outstanding at 31 March 2023 was £0.045 million (2021/22: £0.311 million), and are included in note 27 Short-term Debtors.

### Nevis Technologies Limited

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

During 2022/23 SPT approved payments totalling £0.168 million (2021/22: £0.148 million) to Nevis Technologies Limited in support of smartcard ticketing and payment services. During 2022/23 SPT charged £0.50 million to Nevis Technologies (2021/22: £0.050 million). Payments outstanding at 31 March 2023 were £0.001 million (2021/22: £0.025 million) and are included in Other Payables Amounts (note 28 Short-term Creditors). A balance of £0.072 million (2021/22: £0.050 million) is included in note 27 Short-term Debtors.

## 18. Agency Activities

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

Total Costs 2021/22 £000		Administration Recharge £000	Direct Service Payments £000	Total Costs 2022/23 £000
32,402	School and Vocational Transport	1,000	38,469	39,469
790	Bus Shelter Maintenance	174	705	879
297	Strathclyde Concessionary Travel Scheme	312	0	312
<b>33,489</b>	<b>Total</b>	<b>1,486</b>	<b>39,174</b>	<b>40,660</b>

The above agency activities are carried out on a no loss, no profit basis for third parties. However, the administrative recharge of £1.486m is included in SPT's CIES to offset costs incurred in providing these agency activities.

## 19. Investment Properties

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

2021/22 £000		2022/23 £000
(577)	Rental income from investment property	(598)
<b>(577)</b>	<b>Total</b>	<b>(598)</b>

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

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

2021/22 £000		2022/23 £000
<b>5,079</b>	<b>Balance at start of year</b>	<b>5,035</b>
0	Additions/(disposals)	0
(44)	Net gains/(losses) from fair value adjustments	640
<b>5,035</b>	<b>Balance at end of year</b>	<b>5,675</b>

## 20. Intangible Assets

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

2021/22 £000		2022/23 £000
	<b>Balance at start of year</b>	
2,564	• Gross carrying amounts	2,625
(2,076)	• Accumulated amortisation	(2,234)
<b>488</b>	<b>Net carrying amount at start of year</b>	<b>391</b>
26	Additions: purchases	31
(65)	Disposals cost	(69)
100	Transfers cost	0
(223)	Amortisation for the period	(185)
65	Disposals amortisation	69
<b>391</b>	<b>Net carrying amount at the end of year</b>	<b>237</b>
	<b>Comprising:</b>	
2,625	• Gross carrying amounts	2,587
(2,234)	• Accumulated amortisation	(2,350)
<b>391</b>		<b>237</b>

## 21. Impairment Losses

As a result of the Subway Modernisation programme, an annual review has been instigated of all Subway assets to determine if any would be rendered obsolete ahead of their scheduled useful life by the planned investment in new assets. This review also incorporates non-Subway assets. In 2022/23, an impairment loss of £0.075 million has been identified (2021/22: £0 million) on Digital equipment following a review of the estimated useful life.

## 22. Property, Plant and Equipment

### Movements in 2022/23:

	Land & Buildings £000	Plant & Machinery £000	Rolling Stock & Vehicles £000	Sundry Assets £000	Assets Under Construction £000	Investment Properties £000	Investment Properties Held for Sale £000	Total £000
<b>Cost or Valuation</b>								
At 1 April 2022	130,287	10,360	33,485	6,638	112,043	5,035	0	297,848
Additions	195	64	0	343	20,612	0	0	21,214
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,689	0	0	0	0	0	0	1,689
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(842)	0	0	0	0	640	0	(202)
Derecognition – Disposals	(5,377)*	(34)	(630)	(253)	0	0	0	(6,294)
Transfers	368	0	0	(151)	(966)	0	0	(749)
<b>At 31 March 2023</b>	<b>126,320</b>	<b>10,390</b>	<b>32,855</b>	<b>6,577</b>	<b>131,689</b>	<b>5,675</b>	<b>0</b>	<b>313,506</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2022	7,109	3,779	32,579	4,678	0	0	0	48,145
Depreciation charge	3,512	416	48	474	0	0	0	4,450
Depreciation written out to the Revaluation Reserve	(7,796)	0	0	0	0	0	0	(7,796)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(2,954)	0	0	0	0	0	0	(2,954)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	75	0	0	0	75
Derecognition – Disposals	(22)	(10)	(630)	(236)	0	0	0	(898)
Transfers	151	0	0	(151)	0	0	0	0
<b>At 31 March 2023</b>	<b>0</b>	<b>4,185</b>	<b>31,997</b>	<b>4,840</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>41,022</b>
<b>Net Book Value</b>								
<b>At 31 March 2023</b>	<b>126,320</b>	<b>6,205</b>	<b>858</b>	<b>1,737</b>	<b>131,689</b>	<b>5,675</b>	<b>0</b>	<b>272,484</b>
<b>At 31 March 2022</b>	<b>123,178</b>	<b>6,581</b>	<b>906</b>	<b>1,960</b>	<b>112,043</b>	<b>5,035</b>	<b>0</b>	<b>249,703</b>

\* £5.221m of the Derecognition – disposals line under Land & Buildings relates to a change of accounting treatment for Buchanan Bus Station land. The land associated with the bus station will be accounted for solely as an operating lease going forward.

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

### Comparative Movements in 2021/22:

	Land & Buildings £000	Plant & Machinery £000	Rolling Stock & Vehicles £000	Sundry Assets £000	Assets Under Construction £000	Investment Properties £000	Investment Properties Held for Sale £000	Total £000
<b>Cost or Valuation</b>								
At 1 April 2021	130,038	10,256	33,763	6,698	102,747	5,079	0	288,581
Additions	167	58	0	44	10,798	0	0	11,067
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	(44)	0	(44)
Derecognition - Disposals	0	(1,119)	(297)	(104)	0	0	0	(1,520)
Transfers	82	1,165	19	0	(1,502)	0	0	(236)
<b>At 31 March 2022</b>	<b>130,287</b>	<b>10,360</b>	<b>33,485</b>	<b>6,638</b>	<b>112,043</b>	<b>5,035</b>	<b>0</b>	<b>297,848</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2021	3,609	4,616	32,554	4,230	0	0	0	45,009
Depreciation charge	3,500	282	322	552	0	0	0	4,656
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	(1,119)	(297)	(104)	0	0	0	(1,520)
<b>At 31 March 2022</b>	<b>7,109</b>	<b>3,779</b>	<b>32,579</b>	<b>4,678</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48,145</b>
<b>Net Book Value</b>								
<b>At 31 March 2022</b>	<b>123,178</b>	<b>6,581</b>	<b>906</b>	<b>1,960</b>	<b>112,043</b>	<b>5,035</b>	<b>0</b>	<b>249,703</b>
<b>At 31 March 2021</b>	<b>126,429</b>	<b>5,640</b>	<b>1,209</b>	<b>2,468</b>	<b>102,747</b>	<b>5,079</b>	<b>0</b>	<b>243,572</b>

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

### Infrastructure Assets

SPT has adopted the Statutory Overrides contained within the Local Government Finance Circular 09/2022:

Statutory Override - Accounting for Infrastructure Assets ([www.gov.scot/publications/local-government-finance-circular-09-2022-statutory-override-accounting-for-infrastructure-assets](http://www.gov.scot/publications/local-government-finance-circular-09-2022-statutory-override-accounting-for-infrastructure-assets)) issued by the Scottish Government under section 12(2)(b) of the Local Government in Scotland Act 2003 in relation to infrastructure assets. The overrides were put in place to manage historic issues surrounding the derecognition of infrastructure asset components, which had the potential for the gross cost of assets to be overstated, albeit that the NBV was still materially correct. The Statutory Overrides that SPT has adopted are detailed below:

*Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.*

*Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.*

Movements in 2022/23	Tunnels £000	Track £000	Electrical £000	Total £000
<b>Net Book Value (Modified Historical Cost)</b>				
At 1 April 2022	28,923	11,106	877	40,906
Additions	3,013	208	4	3,225
Derecognition	0	0	0	0
Depreciation	(1,335)	(455)	(75)	(1,865)
Impairment	0	0	0	0
Transfers	82	440	227	749
<b>At 31 March 2023</b>	<b>30,683</b>	<b>11,299</b>	<b>1,033</b>	<b>43,015</b>

Comparative Movements in 2021/22	Tunnels £000	Track £000	Electrical £000	Total £000
<b>Net Book Value (Modified Historical Cost)</b>				
At 1 April 2021	26,575	11,488	685	38,748
Additions	3,564	71	126	3,761
Derecognition	0	0	0	0
Depreciation	(1,216)	(453)	(70)	(1,739)
Impairment	0	0	0	0
Transfers	0	0	136	136
<b>At 31 March 2022</b>	<b>28,923</b>	<b>11,106</b>	<b>877</b>	<b>40,906</b>

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

### Reconciliation of Property Plant and Equipment

2021/22 £000	Category	2022/23 £000
40,906	Infrastructure Assets	43,015
244,668	Other Property Plant and Equipment Assets	266,809
<b>285,574</b>	<b>Total Property Plant and Equipment</b>	<b>309,824</b>

### Capital Commitments

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

Service	Outstanding Commitments as at 31 March 2023 £	Contract Completion Dates
Subway Modernisation	73,779,883	Various
Subway Infrastructure Projects	10,165,218	Various
Subway Operations	2,290,242	Various
Bus Operations	314,656	Various
Digital	202,287	Various
Other	201,871	Various
<b>Total</b>	<b>86,959,018</b>	Various

Similar commitments at 31 March 2022 totalled £91,923,349.

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

### Valuations

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

- In Use (Operational) Assets were valued at 31 March 2023; and
- Investment Assets were valued at 31 March 2023.

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

The basis of value applied was as follows:

#### a) In Use (Operational) Assets

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

#### b) Investment Assets

- Valued to Fair Value as defined by IFRS 13, which equates to being the Market Value of the legal interest held.



### 23. Capital Expenditure and Capital Financing

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

2021/22 £000		2022/23 £000
0	<b>Opening Capital Financing Requirement</b>	0
	<b>Capital investment:</b>	
14,828	Property, Plant and Equipment	24,439
26	Intangible Assets	31
10,939	Revenue expenditure funded from capital under statute	12,641
	<b>Sources of finance:</b>	
(25,295)	Government grants and other contributions	(35,060)
	Sums set aside from revenue:	
(498)	Direct revenue contributions	(2,051)
0	<b>Closing Capital Financing Requirement</b>	0

### 24. Heritage Assets

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

### 25. Short-term Investments

31 March 2022 £000		31 March 2023 £000
96,126	Deposits with banks and building societies	55,486
<b>96,126</b>	<b>Total</b>	<b>55,486</b>

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

## 26. Inventories

2021/22 £000		2022/23 £000
694	Balance at start of year	724
874	Purchases	945
(843)	Recognised as an expense in the year	(966)
<b>725</b>	<b>Balance at end of year</b>	<b>703</b>

Inventories include both bus infrastructure and Subway stock holdings.

## 27. Short-term Debtors

31 March 2022 £000		31 March 2023 £000
1,351	Trade Receivables	1,652
2,003	Prepayments and Accrued Income	4,046
936	Other receivables amounts	3,191
4,290		8,889
519	Agency Activities	3,711
<b>4,809</b>	<b>Total</b>	<b>12,600</b>

## 28. Short-term Creditors

31 March 2022 £000		31 March 2023 £000
3,756	Trade Payables	4,824
10,498	Accruals and Prepaid Income	16,982
3,946	Other payables amounts	3,289
18,200		25,095
1,199	Agency Activities	215
<b>19,399</b>	<b>Total</b>	<b>25,310</b>

## 29. Provisions

	Injury and Damage Compensation Claims £000	Total £000
<b>Balance at 1 April 2022</b>	<b>55</b>	<b>55</b>
Additional provisions made in 2022/23	24	24
Amounts used in 2022/23	(8)	(8)
Unused amounts reversed in 2022/23	(7)	(7)
<b>Balance at 31 March 2023</b>	<b>64</b>	<b>64</b>

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

## 30. Contingent Liabilities

At 31 March 2023 SPT did not have any contingent liabilities (2021/22: nil).

### 31. Financial Instruments

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

#### Financial Assets

	Non-Current		Cash and Investments		Current		Total
	Investments in Joint Ventures and Associates				Debtors		
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	
Amortised Cost	5	5	175,632	164,163	4,809	12,600	176,768
<b>Total</b>	<b>5</b>	<b>5</b>	<b>175,632</b>	<b>164,163</b>	<b>4,809</b>	<b>12,600</b>	<b>176,768</b>

#### Financial Liabilities

	Non-Current		Current		Total
	Creditors		Creditors		
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	
Amortised Cost	0	0	19,399	25,310	25,310
<b>Total</b>	<b>0</b>	<b>0</b>	<b>19,399</b>	<b>25,310</b>	<b>25,310</b>

#### Financial Instruments Gains / Losses / Expenses charged during 2022/23 (at amortised cost)

The gain incurred by SPT in 2022/23 was an interest gain of £3.919 million (2021/22: £0.491 million). There was no expense as SPT is debt free at present.

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

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

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

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

#### Credit Risk

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

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

[spt.co.uk/media/lr2iuhl2/p180322\\_agenda9.pdf](https://spt.co.uk/media/lr2iuhl2/p180322_agenda9.pdf).

#### Credit Risk Management Practices

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

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

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

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

Amount as at 31 March 2022 £000		Amount as at 31 March 2023 £000	Historical Experience of Non-payment Adjusted for Market Conditions %	Estimated Maximum Exposure to Default and Un-collectability £000
178,647	Deposits with banks and other financial institutions	164,556	0	0
1,351	Customers	1,655	0	0
<b>179,998</b>	<b>Total</b>	<b>166,211</b>		<b>0</b>

#### Liquidity Risk

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

#### Market Risk

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

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

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

According to these investment strategies, as at 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2022 £000	Estimated Financial Effect	31 March 2023 £000
(1,784)	Increase in interest receivable on variable rate investments	(1,812)
<b>(1,784)</b>	<b>Net theoretical impact on I&amp;E Account</b>	<b>(1,812)</b>

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

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

### 33. Interests in companies and other entities

During 2011/12 SPT acquired 49% of the ordinary shares in Nevis Technologies Limited, a company registered in Scotland, at a cost of £4,999. Nevis Technologies Limited is a joint venture between SPT and Ecebs Limited for the provision of a smartcard ticketing and payment service. This interest is recorded as a long-term investment at cost. Details of the transactions between SPT and Nevis Technologies can be found in note 17 Related Parties on page 57.

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

# Remuneration Report

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

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

Total Remuneration 2021/22 £		Salary, Fees & Allowances £	Total Remuneration 2022/23 £
79,488	Gordon MacLennan: Chief Executive (to 20/08/2021)	0	0
144,881	Valerie Davidson: Assistant Chief Executive (to 18/12/2021) / Chief Executive (from 19/12/2021)	162,706	162,706
106,572	Neil Wylie: Director of Finance & Corporate Support	119,275	119,275
106,572	Antony Smith: Director of Subway	113,628	113,628
<b>437,513</b>	<b>Total</b>	<b>395,609</b>	<b>395,609</b>

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

The salary of senior employees is set by reference to national local authority arrangements. The Scottish Joint Negotiating Committee for Local Authority Services sets the salaries for the Chief Executives of Scottish Local Authorities. SPT sets the salary of the Chief Executive with reference to this framework. These arrangements were approved by the Partnership on 24 March 2006 and reaffirmed by the Recruitment Committee on 22 October 2021.



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

<b>Total Remuneration 2021/22 £</b>		<b>Salary, Fees &amp; Allowances £</b>	<b>Total Remuneration 2022/23 £</b>
0	Stephen Dornan, Chair (from 27/05/2022)	20,714	20,714
23,091	Dr Martin Bartos, Chair (to 05/05/2022)	2,329	2,329
12,667	Alan Moir, Vice Chair (to 05/05/2022 & from 27/05/2022)*	12,671	12,671
10,340	David Wilson, Vice Chair (to 05/05/2022 & from 27/05/2022)*	12,541	12,541
0	Donald Reid, Chair of Audit & Standards (from 24/06/2022)*	1,173	1,173
<b>46,098</b>	<b>Total</b>	<b>49,428</b>	<b>49,428</b>

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

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004. However, these regulations do not apply directly to Regional Transport Authorities including SPT. Remuneration of councillors, namely the Chair and Vice-Chairs, is made under the previous powers of Strathclyde Passenger Transport Authority which were transferred to SPT. SPT has however adopted the principles outlined in the legislation in so far as is practicable. The level of payment to the Chair and Vice Chair(s) was approved by the Partnership on 31 May 2007. The Partnership again approved the remuneration principle and levels on 1 June 2017.

**Remuneration paid to Councillors**

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

<b>2021/22 £000</b>		<b>2022/23 £000</b>
0	Salaries	0
46	Allowances	49
0	Expenses	1
<b>46</b>	<b>Total</b>	<b>50</b>

SPT is committed to promoting openness and transparency and therefore publishes Members' expenses at: [spt.co.uk/about-us/who-we-are/our-team/members](https://spt.co.uk/about-us/who-we-are/our-team/members).

The pension entitlements of senior employees for the year to 31 March 2023 are shown in the table below together with the contribution made by SPT to each senior employee's pension during the year:

	In-year pension contributions			Accrued pension benefits	
	Year to 31 March 2022 £	Year to 31 March 2023 £		Year to 31 March 2022 £	Year to 31 March 2023 £
Gordon MacLennan: Chief Executive (to 20/08/2021)	11,726	0	Pension	0	0
			Lump sum	0	0
Valerie Davidson: Assistant Chief Executive (to 18/12/2021) / Chief Executive (from 19/12/2021)	27,962	31,402	Pension	76,077	79,824
			Lump Sum	125,054	125,054
Neil Wylie: Director of Finance & Corporate Support	20,568	23,020	Pension	50,457	53,484
			Lump Sum	76,773	77,355
Antony Smith: Director of Subway	20,568	21,930	Pension	5,851	8,237
			Lump Sum	0	0

Remuneration of councillors in SPT is not pensionable.

## Employees

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

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

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

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

The tier rates for 2022-23 have stayed the same as they were for 2021-22. Tiers are as follows: Whole time pay	Contribution rate 2022/23	Contribution rate 2021/22
On earnings up to and including £23,000	5.5%	
On earnings above £23,001 and up to £28,100	7.25%	
On earnings above £28,101 and up to £38,600	8.5%	
On earnings above £38,601 and up to £51,400	9.5%	
On earnings of £51,401 and above	12%	
On earnings up to and including £22,300		5.5%
On earnings above £22,301 and up to £27,300		7.25%
On earnings above £27,301 and up to £37,400		8.5%
On earnings above £37,401 and up to £49,900		9.5%
On earnings of £49,901 and above		12%

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

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

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

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

Remuneration band	2021/22 Number of employees	2022/23 Number of employees
£50,000 - £54,999	25	33
£55,000 - £59,999	7	9
£60,000 - £64,999	5	4
£65,000 - £69,999	5	3
£70,000 - £74,999	5	8
£75,000 - £79,999	7	3
£80,000 - £84,999	1	5
£85,000 - £89,999	0	2
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	2	0
£110,000 - £114,999	0	1
£115,000 - £119,999	0	1
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	1	0
£145,000 - £149,999	0	0
£150,000 - £154,999	0	0
£155,000 - £159,999	0	0
£160,000 - £165,999	0	1

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

## Exit Packages

The number of exit packages with total cost per band and total cost of all redundancies (including pension costs borne by the organisation) are set out in the tables below:

Exit package cost band	2021/22 Number of compulsory redundancies	2021/22 Number of other departures	2022/23 Number of compulsory redundancies	2022/23 Number of other departures
£0 - £20,000	0	0	0	1
£20,001 - £40,000	0	0	0	0
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	1	0	0	0
£150,001 - £200,000	0	0	0	0
<b>Total</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>

Exit package cost band	2021/22 Total number of exit packages by cost band	2021/22 Total cost of exit packages (£000)	2022/23 Total number of exit packages by cost band	2022/23 Total cost of exit packages (£000)
£0 - £20,000	0	0	1	14
£20,001 - £40,000	0	0	0	0
£40,001 - £60,000	0	0	0	0
£60,001 - £80,000	0	0	0	0
£80,001 - £100,000	0	0	0	0
£100,001 - £150,000	1	148	0	0
£150,001 - £200,000	0	0	0	0
<b>Total</b>	<b>1</b>	<b>148</b>	<b>1</b>	<b>14</b>

## Facility Time

The tables below fulfil SPT's publication requirements under The Trade Union (Facility Time Publication Requirements) Regulations 2017 and covers the financial year 2022/23.

**Table 1 - Relevant union officials**

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

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
19	19

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

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

Percentage of time	Number of employees
0%	9
1% - 50%	10
51% - 99%	0
100%	0

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

Description	Figures
Total cost of facility time	£8,115
Total pay bill	£23,058,000
Percentage of the total pay bill spent on facility time	0.04%

**Table 4 - Paid trade union activities**

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

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

*Stephen Dornan*

**Stephen Dornan**

Chair

29 September 2023

*Valerie Davidson*

**Valerie Davidson**

Chief Executive

29 September 2023

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

## Reporting on the audit of the financial statements

### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Strathclyde Partnership for Transport for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, Movement in Reserves Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the body as at 31 March 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

### Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.



## Responsibilities of the Director of Finance & Corporate Support and Audit and Standards Committee for the financial statements

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

In preparing the financial statements, the Director of Finance & Corporate Support is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

The Audit and Standards Committee is responsible for overseeing the financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud.

Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the body;
- inquiring of the Director of Finance & Corporate Support as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Director of Finance & Corporate Support concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Report on other requirements

### Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

### Other information

The Director of Finance & Corporate Support is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

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

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

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

I am required by the Accounts Commission to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

## Conclusions on wider scope responsibilities

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

## Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

*Fiona Mitchell-Knight*

### **Fiona Mitchell-Knight FCA**

Audit Director

Audit Scotland

The Athenaeum Building

8 Nelson Mandela Place

Glasgow, G2 1BT

29 September 2023

Strathclyde Concessionary Travel  
Scheme Joint Committee

# Annual Accounts for the year ended 31 March 2023

## Contents

Members of the Joint Committee	85
Management Commentary	86
Statement of Responsibilities	90
Annual Governance Statement	91
Accounting Policies	97
Comprehensive Income and Expenditure Statement	100
Balance Sheet	101
Cash Flow Statement	102
Movement in Reserves Statement	103
Notes to the Financial Statements	104
Independent auditor's report to the members of Strathclyde Concessionary Travel Scheme Joint Committee and the Accounts Commission	113

# Members of the Joint Committee

Members of the Joint Committee as at 31 March 2023

## Member

**Councillor William Sinclair**

**Councillor Neal Ingram**

**Councillor Alan Moir**

**Councillor Owen O'Donnell**

**Councillor Stephen Dornan**

**Councillor Malcolm Mitchell**

**Councillor David Wilson**

**Councillor Donald Reid**

**Councillor William Goldie**

**Councillor Cathy McEwan**

**Councillor Ian Cochrane**

**Councillor Maureen Devlin**

**Councillor Lawrence O'Neill**

## Representing

Argyll & Bute Council

East Ayrshire Council

East Dunbartonshire Council

East Renfrewshire Council

Strathclyde Partnership for Transport

Glasgow City Council

Inverclyde Council

North Ayrshire Council

North Lanarkshire Council

Renfrewshire Council

South Ayrshire Council

South Lanarkshire Council

West Dunbartonshire Council

The Joint Committee consists of 13 Elected Members representing the 12 constituent unitary authorities in the west of Scotland, together with the Chair of Strathclyde Partnership for Transport. The Joint Committee met on 2 occasions during 2022/23.

## Address for Correspondence

**Valerie Davidson**

Strathclyde Partnership for Transport

131 St. Vincent Street

Glasgow

G2 5JF

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

# Management Commentary

## Introduction

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

## About Strathclyde Concessionary Travel Joint Committee

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

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

## Scope of the Scheme

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

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

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

From 2009/10 onwards, a programme of changes was implemented to ensure the sustainability of the scheme in the longer term (see Table 1). This began with changes to fares being amongst a range of measures which were approved by the Joint Committee on 11 December 2009 and implemented in 2010/11.

A further fare increase was implemented in 2011/12 and amendments to the operator reimbursement factors and the introduction of a rail evening peak restriction were implemented in 2012/13. These measures were successful in controlling Scheme costs over those years.

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

No further changes were made for 2021/22 pending a major review of the Scheme. However, the Joint Committee was advised in September 2019 that the requisition from constituent authorities was no longer sufficient to cover operator payments and that it was estimated that a maximum of two years reserves were held at that time. Subsequently the Joint Committee agreed fares increases for 2021/22 to help sustain the Scheme whilst the major review of the Scheme was undertaken. However, the continuing impact of the COVID-19 pandemic in 2021/22 significantly changed the position in the short term with patronage and scheme costs reducing massively, which provided financial respite from the short-term financial challenges. This led to the suspension of the planned implementation of a revised fares structure until January 2023 at the earliest.

No further changes have been made in 2022/23. Patronage has increased in 2022/23 but is still falling short compared to pre-COVID times. The level of reserves has built up allowing the scheme to continue sustainably in the short term at least until April 2024. The revised fare structure which was due to take place in January 2023 has been postponed until April 2024 at the earliest to allow a clearer understanding of the impact of changes in passenger travel demand following on from the COVID-19 pandemic on the long-term financial stability of the scheme. A further review related to this will take place in 2023/24.

**Table 1 Programme of Changes to the Scheme**

<b>2012-13</b>	
Updated operator reimbursement calculations.	
Introduced an evening-peak restriction on rail travel (between 16:30 and 18:30 hrs).	<b>2013-14</b>
Basic concessionary fare maintained at 80p single and £1.20 return.	Basic concessionary fare increased to 90p single and £1.30 return.
<b>2014-15</b>	
Basic concessionary fare maintained at 90p single and £1.30 return.	<b>2015-16</b>
	Basic concessionary fare maintained at 90p single and £1.30 return.
<b>2016-17</b>	
Basic concessionary fare maintained at 90p single and £1.30 return.	<b>2017-18</b>
	Basic concessionary fare increased to £1 single and £1.40 return.
<b>2018-19</b>	
Basic concessionary return fare increased to £1.50. No change to single fare.	<b>2019-20</b>
	Basic concessionary fare maintained at £1 single and £1.50 return.
<b>2020-21</b>	
Approval by Joint Committee to increase the basic single and return fares by 50p. <i>(Decision taken not to introduce this increase in response to the Covid-19 pandemic).</i>	<b>2021-22</b>
	Basic concessionary fare maintained at £1 single and £1.50 return. <i>(Joint committee agreed the review recommendations not to introduce the new fares structure during 2021-22 due to the on-going Covid-19 pandemic).</i>
<b>2022-23</b>	
Basic concessionary fare maintained at £1 single and £1.50 return. <i>(Joint committee agreed to delay introducing the new fares structure in response to the latest financial position).</i>	

## Our Priorities

The Joint Committee seeks to meet the objectives of the scheme, maintaining a viable offering for service users whilst ensuring the long-term financial sustainability of the scheme. This includes maintaining the scheme at levels affordable to the funding local authorities and utilising reserves in support of the scheme. This remains the case during and after the recent pandemic.

## Performance Reporting

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

[spt.co.uk/spt-across-the-region/about-spt/minutes- agendas/strathclyde-concessionary-travel-joint-committee/](https://spt.co.uk/spt-across-the-region/about-spt/minutes- agendas/strathclyde-concessionary-travel-joint-committee/)

## Treasury Management

SPT manages all treasury management matters on behalf of the Joint Committee. SPT has adopted in full the CIPFA Code of Practice on Treasury Management including the creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of SPT's treasury management activities. SPT publishes an annual Treasury Management Strategy for the year ahead and annual Treasury Management Report for the year past, including a commentary on compliance. The 2022/23 Treasury Management Strategy can be found at:

[spt.co.uk/media/lr2iuh12/p180322\\_agenda9.pdf](https://spt.co.uk/media/lr2iuh12/p180322_agenda9.pdf)

## Management of Risk

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

[spt.co.uk/spt-across-the-region/about-spt/minutes- agendas/strathclyde-concessionary-travel-joint-committee/](https://spt.co.uk/spt-across-the-region/about-spt/minutes- agendas/strathclyde-concessionary-travel-joint-committee/)

## Preparation of the Annual Accounts

The financial statements demonstrate SCTS sound stewardship of the public funds it controls and manages. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is based upon International Financial Reporting Standards (IFRS). Therefore, the Code, which remains the authoritative source of accounting standards for local authorities (and related bodies) across the UK, is based upon internationally common accounting standards.

## Review of Performance

SCTS's comprehensive income and expenditure statement for the year ended 31 March 2023 is shown on page 100.

The agreed budget for 2022/23 was £4.059 million (£4.076 million, 2021/22). Funding contributions from the 12 participating councils were agreed at £4.059 million (£4.076 million, 2021/22) with no draw from reserves required.

Payments to operators in the year amounted to £3.415 million (£2.645 million, 2021/22) which although a significant increase compared to 2021/22, remains well below the 2019/20 payments of £4.328 million. The final net outturn inclusive of all costs is £3.630 million (£2.940 million, 2021/22) which is £0.429 million less than the original 2022/23 budget. In total there were 3.608 million journeys in 2022/23 (2.821 million, 2021/22). While the number of journeys increased to around 70% of pre-Covid levels in 2022/23 the reduced passenger numbers have had an impact on operator reimbursement in 2022/23 which in turn resulted in an increase in reserves.

## Balance Sheet

The Balance Sheet is shown on page 101 and provides details of SCTS's assets and liabilities as at 31 March 2023.

## Cash Flow Statement

The Cash Flow Statement and the accompanying notes on page 102 summarise the inflows and outflows of cash arising from transactions with third parties for revenue purposes during the year.



## Movement in Reserves Statement

The Movement in Reserves Statement reported on page 103 shows the general reserves held by the SCTS as at 31 March 2023. The reduction in concessionary travel demand since March 2020 has resulted in reduced costs to the Scheme especially in 2020/2021 and 2021/2022. Patronage has begun to recover in 2022/2023 however at a level which is still 30% less than pre-Covid levels. Subsequently, the Scheme has built up a level of reserves which allows the Scheme to continue sustainably in the short term.

In light of reduced patronage and operator reimbursement in 2022/23, £0.429 million was added to reserves. Reserves are necessary to ensure the longer term viability and sustainability of the Scheme at a time of uncertainty, with regard to potential reduced funding from member local authorities, anticipated fare increases and levels of demand for travel. This has enabled the Scheme to build up its reserves, with the reserve balance at 31 March 2023 of £5.025m.

## Look Ahead

As noted, the Scheme in its current format is not sustainable in the long-term without an increase in funding from local authority partners or significant operational amendments to the scheme structure or fares applicable. A root and branch review of the scheme was completed in 2021/22, taking cognisance of the COVID-19 pandemic. Two key recommendations were agreed by the Joint Committee namely that the Scheme implement fare increases in 2021/22 followed by the introduction of a simplified 'half-fares' structure with capped fares applying to ferry routes and to existing rail 'rural zones'. The use of half fares would simplify the Scheme, would reduce the level of reimbursement and would increase the longer-term financial sustainability of the Scheme considerably.

This remains the agreed strategy of the Joint Committee to preserve long-term financial sustainability. The specific implementation dates will be influenced by the timing and nature of the recovery of public transport and Scheme patronage and also take cognisance of current reserves balances. As a consequence, the Joint Committee on 17 March 2023 agreed that the implementation of the revised half fare structure would be pushed back again until the earliest April 2024 to allow the scheme a better understanding of the travel demand, operator reimbursement and Scheme reserves. This delay is only for the short term and it is understood that in the long term the implementation of the planned change to the fare structure will be required in order to ensure sustainability of the Scheme.

## Membership of the Joint Committee

Details of representation on the Joint Committee at 17 March 2023 are shown on page 85. This section forms part of the management commentary.

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

*Stephen Dornan*

**Stephen Dornan**  
Chair

29 September 2023

*Neil Wylie*

**Neil Wylie**  
Treasurer

29 September 2023

# Statement of Responsibilities

## The Joint Committee's responsibilities

### The Joint Committee is required to:

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

**I certify that the Annual Accounts have been approved for signature by the Joint Committee at its meeting on 29 September 2023.**

*Stephen Dornan*

**Stephen Dornan**  
Chair

29 September 2023

## The Treasurer's responsibilities

The Treasurer is responsible for the preparation of the Scheme's statement of accounts in accordance with proper practices as set out in CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code of Practice").

### In preparing this statement of accounts, the Treasurer has:

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

### The Treasurer has also:

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

**I certify that the Annual Accounts give a true and fair view of the financial position of the Scheme at the reporting date and the transactions of the Joint Committee for the year ended 31 March 2023.**

*Neil Wylie*

**Neil Wylie**  
Treasurer

29 September 2023

# Annual Governance Statement

## Scope of the Governance Framework

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

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

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

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

It was important to SPT that every effort was made to maintain the highest standards of governance throughout 2022/2023.

## The Purpose of the Governance Framework

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

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

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

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

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

## The Governance Framework

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

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

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

These arrangements are supplemented by HR policy and guidance.

*Revised Code of Conduct for Employees* was presented to and approved by the Personnel committee at its meeting of 26 August 2022.

A full committee cycle for all members was held throughout 2022/2023 via video conferencing and in-person meetings.

Principle B: Ensuring openness and comprehensive stakeholder engagement.

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

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

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

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

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

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

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

*The new Regional Transport Strategy – Final draft* was presented to and approved by the Partnership for submission to Scottish Ministers at its meeting of 17 March 2023.

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

The Annual Statement on Sustainable Economic Growth sets out the steps that SPT has taken in 2022/2023 to promote and increase sustainable growth through the exercise of its functions.

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

The Strathclyde Partnership for Transport Annual Report 2021/2022 was presented to and approved by the Partnership at its meeting of 30 September 2022 and shared widely with all stakeholders.

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

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

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

The SPT strategy group and senior management receive advice and guidance from officer led groups responsible for the consideration of, for example, environmental sustainability, Digital transformation, and health and safety to drive and direct the decision making process. This advice is supplemented by external support provided by specialist professionals and services, where appropriate. During 2022/2023, this included the presentation of the *Annual Safety Performance report 2021/2022* to the Personnel committee at its meeting of 26 August 2022.

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

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

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

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

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

A *Learning and Development update* and activity report covering all areas of service delivery was presented to and noted by the Personnel committee at its meeting of 26 August 2022.

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

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

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

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

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

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

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

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

The *Standing Orders relating to the Partnership* was presented to and approved by the Partnership at its meeting of 24 June 2022.

*Updated Standing Orders* relating to the Partnership was presented to and approved by the Partnership at its meeting of 17 March 2023.

A report on *Strathclyde Concessionary Travel Scheme – Ticketing Enhancements* was presented to and noted by the Strathclyde Concessionary Travel Scheme Joint committee at its meeting of 30 September 2022.

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

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

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

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

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

The *SPT Corporate Plan* was presented to and noted by the Partnership at its meeting of 30 September 2022.

## Monitoring and Review of Governance Arrangements

SPT's governance arrangements are formally monitored via:

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

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

## Financial Management Code

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

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

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

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

## Statutory Role

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

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

## System of Internal Financial Control

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

This statement applies to the 2022/2023 annual accounts for SPT. We acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned.

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

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

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

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

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

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

The effectiveness of internal financial controls is informed by officers throughout SPT and the Audit and Standards committee (as the scrutiny committee) and by the work of internal and external audit. It is SPT's view that the systems for internal control were effective during 2022/2023 with no identified material weaknesses, and will be improved through implementation of the recommended actions from internal and external audit reports, and continuous corporate business planning.

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

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

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

*Stephen Dornan*

**Stephen Dornan**  
Chair

29 September 2023

*Neil Wylie*

**Neil Wylie**  
Treasurer

29 September 2023



# Accounting Policies

## General Principles

The annual accounts for the year ended 31 March 2023 have been compiled on the basis of recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code). The Code is based on International Financial Reporting Standards (IFRS) with interpretation appropriate to the public sector. The statements are designed to give a 'true and fair view' of the financial performance and position of SCTS for 2022/23.

The accounting concepts of 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements' have been considered in the application of accounting policies. In this regard the materiality concept means that information is included where the information is of such significance as to justify its inclusion. The accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received. The going concern concept assumes that SCTS will not significantly curtail the scale of its operation. Further details on the going concern concept can be found within accounting policy 1. Wherever accounting principles and legislative requirements are in conflict the latter shall apply.

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

## 1. Going Concern

SCTS is a body that can be discontinued without statutory prescription, however the local authorities that constitute the joint committee are committed to the scheme going forward and there are no plans to discontinue the scheme. A 2023/24 budget has been agreed and usable reserves of over £5 million would be enough to sustain services for a period of over 12 months even without constituent council contributions.

## 2. Basis of Preparation

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

### • Revenue income and debtors

All transactions relating to the period to 31 March 2023 have been matched and accounted for in the period to which they relate. Government grants and other contributions are accounted for on an accruals basis and are recognised as income when the conditions of entitlement have been satisfied and there is reasonable assurance that the monies will be received.

### • Revenue expenditure and creditors

Sundry creditors are accrued on the basis of payments made following 31 March 2023 relating to goods or services received in the year together with specific accruals in respect of further material items.

## 3. Amounts Due to Operators

Amounts due to operators are based on actual claims processed. Where claims have not been received the liability is estimated based on the historic level of payments and known passenger trends.

#### 4. Corporate Costs

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

The recharge includes:

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

#### 5. Retirement Benefits

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

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

#### 6. Investments

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

#### 7. Cash and Cash Equivalents

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

#### 8. Value Added Tax (VAT)

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

#### 9. Usable Reserves

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

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

## 10. Provisions and Contingent Liabilities

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

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

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

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

## 11. Related Party Transactions

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

## 12. Financial Instruments

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

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

## 13. Accounting Standards Issued Not Adopted

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

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

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

# Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

2021/22			2022/23			
Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000		Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000
2,645	0	2,645	Payments to Operators	3,415	0	3,415
302	0	302	Corporate Costs (note 1)	319	0	319
<b>2,947</b>	<b>0</b>	<b>2,947</b>	<b>Cost Of Services</b>	<b>3,734</b>	<b>0</b>	<b>3,734</b>
			(7) Financing and Investment Income and Expenditure (note 2)			(104)
		(4,076)	Taxation and Non-Specific Grant Income (note 3)			(4,059)
		<b>(1,136)</b>	<b>(Surplus) / Deficit on Provision of Services</b>			<b>(429)</b>
		0	Other Comprehensive Income and Expenditure			0
		<b>(1,136)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(429)</b>

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

# Balance Sheet as at 31 March 2023

31 March 2022 £000		Note	31 March 2023 £000
3,032	Short-term Investments	8	1,056
2,102	Cash and Cash Equivalents	7	4,261
0	Short Term Debtors	9	53
<b>5,134</b>	<b>Current Assets</b>		<b>5,370</b>
(538)	Short-term Creditors	10	(345)
<b>(538)</b>	<b>Current Liabilities</b>		<b>(345)</b>
<b>4,596</b>	<b>Net Assets</b>		<b>5,025</b>
4,596	Usable Reserves	4	5,025
<b>4,596</b>	<b>Total Reserves</b>		<b>5,025</b>

The unaudited accounts were issued on 09 June 2023 and the audited accounts were authorised for issue on 29 September 2023.

**Signed on behalf of the Joint Committee:**

*Neil Wylie*

**Neil Wylie**

Treasurer

29 September 2023

# Cash Flow Statement

## for the year ended 31 March 2023

2021/22 £000		2022/23 £000
1,136	Net surplus or (deficit) on the provision of services	429
339	Adjustments to net surplus or deficit on the provision of services for non cash movements (note 5)	(246)
(7)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(104)
1,468	Net cash flows from Operating Activities	79
(1,000)	Investing Activities (note 6)	2,080
468	Net increase or (decrease) in cash and cash equivalents	2,159
1,634	Cash and cash equivalents at the beginning of the reporting period	2,102
<b>2,102</b>	<b>Cash and cash equivalents at the end of the reporting period (note 7)</b>	<b>4,261</b>

# Movement in Reserves Statement

## Current year

General  
Fund  
Balance  
£000

Balance at 31 March 2022

4,596

### Movement in reserves during 2022/23

Total Comprehensive Income and Expenditure

429

Increase / (decrease) in 2022/23

429

Balance at 31 March 2023 carried forward

5,025

## Comparative information for 2021/22

General  
Fund  
Balance  
£000

Balance at 31 March 2021

3,460

### Movement in reserves during 2021/22

Total Comprehensive Income and Expenditure

1,136

Increase / (decrease) in 2021/22

1,136

Balance at 31 March 2022 carried forward

4,596

# Notes to the Financial Statements

## 1. Comprehensive Income and Expenditure Statement - Corporate Costs

2021/22 £000		2022/23 £000
195	Staff costs	216
5	Auditor's Remuneration	6
0	Members Allowances and Expenses	0
76	Other Costs	54
26	Postage Costs	43
<b>302</b>	<b>Total</b>	<b>319</b>

The average number of full time SPT staff dealing with the administration of the Scheme was 8 (2021/22: 7), including the issue of the national entitlement card.

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

2021/22 £000		2022/23 000
(7)	Interest receivable and similar income	(104)
<b>(7)</b>	<b>Total</b>	<b>(104)</b>



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

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

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

2021/22 £000		2022/23 £000
(206)	Argyll & Bute Council	(204)
(237)	East Ayrshire Council	(236)
(229)	East Dunbartonshire Council	(228)
(182)	East Renfrewshire Council	(181)
(845)	Glasgow City Council	(840)
(158)	Inverclyde Council	(156)
(287)	North Ayrshire Council	(286)
(573)	North Lanarkshire Council	(572)
(326)	Renfrewshire Council	(325)
(265)	South Ayrshire Council	(263)
(604)	South Lanarkshire Council	(605)
(164)	West Dunbartonshire Council	(163)
<b>(4,076)</b>	<b>Total</b>	<b>(4,059)</b>

### 4. Balance Sheet – Usable Reserves

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

### 5. Cash Flow Statement – Non Cash Movements

2021/22 £000		2022/23 £000
0	(Increase) / decrease in debtors	(53)
339	Increase / (decrease) in creditors	(193)
<b>339</b>	<b>Total</b>	<b>(246)</b>

## 6. Cash Flow Statement – Investing Activities

2021/22 £000		2022/23 £000
(1,007)	Purchase of short-term investments	1,976
7	Interest Received (note 2)	104
<b>(1,000)</b>	<b>Net cash flows from investing activities</b>	<b>2,080</b>

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

2021/22 £000		2022/23 £000
2,102	Current accounts with banks and building societies	4,261
<b>2,102</b>	<b>Total cash and cash equivalents</b>	<b>4,261</b>

## 8. Short-term Investments

31 March 2022 £000		31 March 2023 £000
3,032	Deposits with banks and building societies	1,056
<b>3,032</b>	<b>Total</b>	<b>1,056</b>

## 9. Short-term Debtors

31 March 2022 £000		31 March 2023 £000
0	Prepayments and Accrued Income	53
<b>0</b>	<b>Total</b>	<b>53</b>

## 10. Short-term Creditors

31 March 2022 £000		31 March 2023 £000
538	Accruals and Prepaid Income	345
<b>538</b>	<b>Total</b>	<b>345</b>

## 11. External Audit Costs

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

2021/22 £000		2022/23 £000
5	Fees payable with regard to external audit services carried out by the appointed auditor for the year	6
<b>5</b>	<b>Total</b>	<b>6</b>

## 12. Related Parties

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

### **Members and the 12 Local Authorities in Strathclyde**

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

During 2022/23 the 12 Local Authorities in Strathclyde provided funding totalling £4.059 million (2021/22: £4.076 million) in the form of requisition.

### **Strathclyde Partnership for Transport (SPT)**

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

During 2022/23 SPT charged £0.312 million (2021/22: £0.297 million) to SCTS for the provision of administrative services. SCTS reimbursed SPT £0.266 million (2021/22: £0.187 million) for concessionary travel journeys made on the Subway.

There is a balance of £0.045 million (2021/22: £0.311 million) within Short-term Creditors (note 10) which relates to the administration charge and income reimbursement owed to SPT.

### 13. Financial Instruments

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

#### Financial Assets

	Cash and Investments		Current Debtors		Total
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2023 £000
Amortised Cost	5,134	5,317	0	53	5,370
<b>Total</b>	<b>5,134</b>	<b>5,317</b>	<b>0</b>	<b>53</b>	<b>5,370</b>

#### Financial Liabilities

	Current Creditors		Total
	31 March 2022 £000	31 March 2023 £000	31 March 2023 £000
Amortised Cost	538	345	345
<b>Total</b>	<b>538</b>	<b>345</b>	<b>345</b>

#### Financial Instruments Gains / Losses / Expenses charged during 2022/23 (at amortised cost)

The gain incurred by SCTS in 2022/23 was an interest gain of £0.104 million (2021/22: £0.007 million). There was no expense as SCTS is debt free at present.

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

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

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

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

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

### Credit Risk

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

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

### Credit Risk Management Practices

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

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

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

Amount as at 31 March 2022 £000		Amount as at 31 March 2023 £000	Historical Experience of Non-payment Adjusted for Market Conditions %	Estimated Maximum Exposure to Default and Un-collectability £000
5,134	Deposits with banks and other financial institutions	5,317	0	0
<b>5,134</b>	<b>Total</b>	<b>5,317</b>		<b>0</b>

## 14. Nature and Extent of Risk Arising from Financial Instruments (cont'd)

### Liquidity Risk

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

### Market Risk

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

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

According to these investment strategies, as at 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2022 £000		31 March 2023 £000
	<b>Estimated Financial Effect</b>	
(50)	Increase in interest receivable on variable rate investments	(59)
<b>(50)</b>	<b>Net theoretical impact on I&amp;E Account</b>	<b>(59)</b>

The impact of a 1% decrease in interest rates would be that no interest would be received on investments.

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

### **15. Events after the Balance Sheet Date**

The annual accounts were authorised for issue by the Treasurer on 29 September 2023. 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 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### **15. Remuneration Report**

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



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

## Reporting on the audit of the financial statements

### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Strathclyde Concessionary Travel Scheme Joint Committee for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, Movement in Reserves Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the body as at 31 March 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

### Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

## Responsibilities of the Treasurer and Audit and Standards Committee for the financial statements

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

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

The Audit and Standards Committee is responsible for overseeing the financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the body;
- inquiring of the Treasurer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Treasurer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Reporting on other requirements

### Other information

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement and Statement of Responsibilities.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

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

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

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

I am required by the Accounts Commission to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

## Conclusions on wider scope responsibilities

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

## Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

*Fiona Mitchell-Knight*

### **Fiona Mitchell-Knight FCA**

Audit Director  
Audit Scotland  
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29 September 2023



Strathclyde Partnership  
for Transport

