Strathclyde Partnership for Transport
Financial Statements
for the year ended 31 March 2017

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Members of Strathclyde Partnership for Transport

Members of the Partnership as at 31 March 2017

Member	Representing
Councillor Robert G MacIntyre	Argyll & Bute Council
Councillor Bobby McDill	East Ayrshire Council
Councillor Alan Moir	East Dunbartonshire Council
Councillor Tony Buchanan	East Renfrewshire Council
Councillor Malcolm Balfour	Glasgow City Council
Councillor Jonathan Findlay (Chair)	Glasgow City Council
Councillor Gerald Leonard	Glasgow City Council
Councillor Martin Bartos	Glasgow City Council
Councillor Fariha Thomas	Glasgow City Council
Councillor David Wilson	Inverclyde Council
Councillor Donald Reid	North Ayrshire Council
Councillor Michael McPake	North Lanarkshire Council
Councillor Kaye Harmon (Vice Chair)	North Lanarkshire Council
Councillor Paul Welsh	North Lanarkshire Council
Councillor Eddie Devine	Renfrewshire Council
Councillor Bill Grant	South Ayrshire Council
Councillor Denis McKenna (Vice Chair)	South Lanarkshire Council
Councillor Hamish Stewart	South Lanarkshire Council
Councillor Allan Falconer	South Lanarkshire Council
Councillor Lawrence O'Neill	West Dunbartonshire Council
Gregory Beecroft	Appointed Member
Brian Davidson	Appointed Member
Ann Faulds	Appointed Member
Anne Follin	Appointed Member
Graham Johnston	Appointed Member
Alex Macaulay	Appointed Member
Jo MacLennan	Appointed Member
Alan Malcolm	Appointed Member
Jim McNally	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 9 Appointed Members. The Partnership met on 6 occasions during 2016/17.

The directors of the organisation are defined as the Chief Executive, Gordon Maclennan, Assistant Chief Executive (Business Support), Valerie Davidson and Assistant Chief Executive (Operations), Eric Stewart.

Secretary / Treasurer
Valerie Davidson
Assistant Chief Executive (Business Support)
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Address for Correspondence
Neil Wylie
Director of Finance & HR
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Management Commentary

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

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

SPT's Partnership Board is made up of 20 elected members representing 12 constituent councils, and in 2016/17 there were nine Appointed Members.

The Partnership is chaired by Councillor Jonathan Findlay along with Vice Chairs Councillor Denis McKenna and Councillor Kaye Harmon. The Partnership's policies and decisions are implemented by SPT staff under the strategic direction of Chief Executive, Gordon Maclennan, Assistant Chief Executive (Business Support), Valerie Davidson and Assistant Chief Executive (Operations), Eric Stewart.

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

SPT organises the biggest school run in Scotland – getting around 38,000 pupils to and from school every day. We own and operate Buchanan, East Kilbride, Greenock and Hamilton bus stations with a total of around 1.2 million bus departures from our stations every year.

SPT also own and operate the Subway in Glasgow – the world's third oldest underground system and a vital part of the west of Scotland's transport network. The Subway carried nearly 13 million passengers in 2016/17.

We continue with modernisation of the Subway which will transform the network and enhance our customers' travel experience. 2016/17 saw work commence on the delivery of the contracts for the manufacture and delivery of new rolling stock, signalling and control systems, control room and associated equipment. In addition, a major piece of infrastructure work, replacing the Ramps and Turnouts section of the tunnel chamber, where the Subway trains enter and exit the system, took place in July 2016.

SPT's Subway continues to operate its Smartcard ticketing system, with to date more than 150,000 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 – and on behalf of the 12 councils, the Strathclyde Concessionary Travel Scheme which provides discounted travel for those who are eligible on rail, subway and ferry.

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

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

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

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

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.

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

Our priorities

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

- Attractive, seamless, reliable travel
  SPT believes that all modes of public transport in Strathclyde should be attractive, seamless and reliable. Those services should deliver regular, stable timetables which benefit existing passengers as well as attracting new customers. To do that we focussed on three key areas in 2016/17 — Subway Modernisation, Smart and Integrated Ticketing, and Better Bus Services.

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

  We pursued this aim by focusing on Fastlink; Strategic Rail enhancements; Rail & Freight; and integrated transport and land use planning

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

  Our activity focussed on the following key areas in 2016/17: provision of socially necessary services, improving access to healthcare, and promoting equal access to public transport.

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

  In 2016/17, SPT focussed on reducing emissions through development of park and ride, cycling provision improvements and encouraging travel behaviour change.

- Improved service delivery
  SPT is focussed on not only delivering transport improvements for the public but we also work hard to ensure that we are delivering our work as effectively and efficiently as possible with a focus on delivering increased digitalisation in support of the drive for efficiency.

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

Performance Reporting

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

http://www.spt.co.uk/corporate/about/minutes-agendas/

In addition, the full year performance is reported in the Annual Report 2017 and can be found at:

http://www.spt.co.uk/corporate/wp-content/uploads/2015/07/Annual-Report_2015-16.pdf

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Treasury Management

SPT has adopted in full the CIPFA Code of Practice on Treasury Management including the creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of SPT's treasury management activities. SPT publishes an annual Treasury Management Strategy for the year ahead and annual Treasury Management Report for the year past, including a commentary on compliance. The 2016/17 Treasury Management Strategy can be found at:

http://www.spt.co.uk/documents/sp180316_agenda6.pdf

Management of Risk

The main financial and operational risks to SPT are included within the corporate risk register. This includes identification of clear mitigating actions and risk owners. The major financial risks at this stage arise from the continuing uncertainty over future years' financial settlements and the potential for continued austerity measures. This is reviewed regularly and reported to each Audit & Standards Committee for scrutiny and can be found at:

http://www.spt.co.uk/corporate/about/minutes-agendas/

Look Ahead

Subway modernisation

The roll-out of the £288.7 million Subway modernisation programme continues with eight of 15 stations now complete including the £7 million investment into Govan Interchange which opened in August 2016. This year also saw the completion of station refurbishments at Buchanan Street and at Cessnock.

Work has also begun at Kelvingbridge Station and will be finished later in 2017. Once Kelvinbridge is complete, Shields Road and Bridge Street station refurbishments will begin in 2017 and into 2018.

Design of the final four tenders for St George's Cross, Cowcaddens, Kinning Park, and West Street is currently out to tender.

Smart and integrated ticketing

SPT continues to develop smart ticketing and work with partners to develop a fully integrated system for the benefit of passengers. There are now more than 150,000 Subway Smartcard holders.

SPT also developed "online top-up" for Subway Smartcard users which offers them the option of topping up their card value, or buying season tickets whenever and wherever it is most convenient for them. More than 1,100 customers have now topped up their Smartcards online.

Working in partnership with Abellio ScotRail means we are now able to offer commuters using both Subway and train services the option of putting tickets for both on either their Subway or ScotRail Smartcard, as both cards have been developed by Nevis technologies - a joint venture between Rambus Ecebs and SPT.

McGill's, the largest privately owned bus company in Scotland, now provides Smart ticketing to its customers using Nevis Technologies means they also have the option to link with other transport operators as more operators join up to smart ticketing.

Fastlink

The second phase of the Fastlink project to extend and upgrade key bus routes within the Glasgow city centre began in February this year. This part of the development, valued at £3.14 million extend Fastlink within the City Centre delivering further bus priority measures and improve passenger facilities.

This latest stage of the project will deliver further journey time savings for Fastlink services and crucially most other bus services operating in the city centre.

With more than 180 buses per hour and tens of thousands passengers per day, Union Street will be transformed with state of the art passengers facilities, high quality shelters, real-time information displays, high access kerbs for easy boarding and widened footpaths along with upgraded street lighting.

Preparation of Financial Statements

The financial statements demonstrate SPT's sound stewardship of the public funds it controls and manages. The financial statements have been prepared in accordance with *the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* which is based upon International Financial Reporting Standards (IFRS). Therefore the

Code, which remains the authoritative accounting standard for local authorities (and related bodies) across the UK, is based upon internationally common accounting practices.

There remains an outstanding legislative matter relating to the preparation of the financial statements. A technical bulletin, issued by Audit Scotland, in June 2007 suggests that the Transport (Scotland) Act 2005 does not permit RTP's, including SPT, to generate a surplus or deficit on the general fund and hence to add to reserves. Reserves and fund balances are a critical tool in the financial plans of any organisation to ensure it is in a position to respond to unexpected events and circumstances. SPT is therefore relying on the former powers transferred under the Act to hold and utilise reserves. However, according to the technical bulletin and the opinion of Audit Scotland, SPT cannot contribute to reserves. SPT, having taken legal advice does not agree with the view suggested by Audit Scotland, given that the powers of SPTA and SPTE were transferred to SPT, but again in 2016/17 has prepared the financial statements in accordance with the position expressed by Audit Scotland. The view that SPT cannot add to reserves impacts on strategic financial planning and limits SPT's ability to plan and prepare for replacement and repair funds, which is considered to be best practice. SPT continues to press the Scottish Government for the legislative change which is deemed necessary to resolve the issue as a matter of urgency.

Pages 14 to 21 of the financial statements set out the accounting policies adopted by SPT in the preparation of the financial statements to ensure that the financial statements give a 'true and fair view' of SPT's financial position.

Financial Review

SPT's Expenditure and Funding Analysis Statement on page 22 shows the year-end financial outturn by service, which is reconciled back to the figures within the Comprehensive Income and Expenditure Statement (CIES) on page 23. The CIES shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. The current economic environment continues to put pressure on various elements of funding and service costs. However, efficiency plans implemented over the last five years, and again in 2016/17 ensured that SPT services were delivered within budget and available funding. SPT continues to make plans for responding to any further reductions in public sector funding.

SPT's net revenue budget was set at £38.418 million, of which £37.381 million was financed by requisition from the 12 local authority partners in the SPT area and £1.037 million was financed by Scottish Government direct grants. Requisition and Scottish Government grant was received as budgeted for and no draw on reserves was required within the year. As in 2015/16 a contribution to the Subway Fund was planned for 2016/17, in accordance with the Subway Modernisation Business Case submitted to the Scottish Government, and has been generated. However, until the matter relating to the holding of reserves is resolved this contribution is deemed to be "Receipts in Advance". A contribution of £11.517 million (2015/16: £10.586 million) was made during the year. In line with the planned Subway capital programme £17.087 million (2015/16: £16.969 million) of the 'Receipts in Advance' was utilised in 2016/17 resulting in a balance of £18.991 million (2016: £24.560 million). The current balance of £18.991 million is split between short term creditors £17.116 million and long term creditors £1.875 million. The balance is in line with the agreed funding case approved by the Scottish Government.

Balance Sheet

SPT's balance sheet is shown on page 24 of the financial statements and provides details of SPT's assets and liabilities as at 31 March 2017. Explanatory notes are also provided.

Cash Flow Statement

The Cash Flow Statement on page 25 of the financial statements 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 26 of the financial statements shows the movement in revenue and capital reserves held by SPT as at 31 March 2017. The major movements in reserves in the year are: a £5.010 million reduction in the Capital Grants Unapplied Account; a £28.122 million increase in the Capital Adjustment Account; a £6.114 million increase in the Revaluation Reserve; and a £20.684 million reduction in the Pension Reserve.

The reduction in the Capital Grants Unapplied Account relates to the use of this reserve as a source of funding in the year 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.

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Details of capital expenditure are provided in note 23 (page 49 of the financial statements). Total expenditure in support of the programme amounted to £59.648 million (2015/16: £54.594 million). The programme was funded by: £16.074 million of Scottish Government general capital grant; £21.758 million Scottish Government specific capital grant in support of Subway Modernisation; £2.736 million Scottish Government specific capital grant in support of the Fastlink project; £0.194 million other grants and contributions; and a revenue contribution to the capital programme of £18.886 million (£16.969 million Subway Fund utilised).

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

Valuation of Non-current Assets

In 2016/17 properties were revalued in accordance with the Code, resulting in an increase of £7.519 million to the Revaluation Reserve (see note 7, Balance sheet – Unusable Reserves) and revaluation losses of £4.934 million charged to the Comprehensive Income and Expenditure Statement (CIES).

As a result of the Subway Modernisation programme, an annual review has been instigated of all Subway assets to determine if any would be rendered obsolete ahead of their scheduled useful life by the planned investment in new assets. This review also incorporates non subway fixed assets. As a result, in 2016/17, impairment losses of £0.873 million have been charged to the CIES in respect of subway station buildings and the bus operations fleet.

Pension Assets and Liabilities

The common position for employers participating in the Strathclyde Pension Fund is that the International Accounting Standard 19 (IAS19), 'Retirement Benefits' calculation (page 37 of the financial statements) is based on a snapshot valuation as at 31 March 2017, which shows a deficit of £49.657 million (£29.973 million deficit, 2015/16).

Membership of the Partnership

Details of the Members of the Partnership at 31 March 2017 are shown on page 2 of the financial statements.

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

Martin Bartos	Gordon Maclennan	Valerie Davidson
Chair	Chief Executive	Assistant Chief Executive (Business Support)
xx xxxx 2017	xx xxxx 2017	xx xxxx 2017

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Statement of Responsibilities

The Partnership's responsibilities

The Partnership is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Partnership, that officer is the Assistant Chief Executive (Business Support);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Assistant Chief Executive's (Business Support) responsibilities

The Assistant Chief Executive (Business 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 2016/17 ("the Code of Practice").

In preparing this statement of accounts, the Assistant Chief Executive (Business Support) has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting in the UK;
- kept proper accounting records that were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

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Martin Bartos	**Valerie Davidson**
Chair	Assistant Chief Executive (Business Support)
xx xxxx 2017	xx xxxx 2017

Annual Governance Statement and Statement of Financial Control

Scope of the Governance Framework

Strathclyde Partnership for Transport (SPT) has established governance arrangements that are consistent with the seven (7) principles for good governance outlined in the *'Delivering good governance in local government: Framework 2016'* published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

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

The Purpose of the Governance Framework

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

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

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

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

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

The Governance Framework

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

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

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

These arrangements are supplemented by HR policy and guidance.

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

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

Principle B: Ensuring openness and comprehensive stakeholder engagement.

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

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

Each year we produce a Transport Outcome Report (TOR), which shows how our activities contribute to Single Outcome Agreements and SPT provide a summary of service delivery and local outcomes in each council area.
SPT interacts and engages with stakeholders and publishes annual reports, financial statements, service performance information and the results of customer surveys.

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

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

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

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

The Annual Statement on Sustainable Economic Growth sets out the steps that SPT has taken in 2016/17 to promote and increase sustainable growth through the exercise of its functions.

The Regional Transport Strategy Delivery Plan 2014–2017 has a strong focus on the specific services, initiatives and projects which SPT seeks to deliver over this three year period. The Regional Transport Strategy is integral to SPT's business planning processes which reflect current social, environmental and economic circumstances at local, regional and national levels.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Monitoring and Review of Governance Arrangements

SPT's governance arrangements are formally monitored via:

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

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

Statutory Role

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

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

System of Internal Financial Control

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

This statement applies to the 2016/17 financial statements for SPT. We acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned. The system of internal financial control is based on a framework of regulations, policies, processes, administrative and authorisation procedures and controls, management supervision and a system of delegated authority and accountability.

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

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

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

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

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

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The effectiveness of internal financial controls is informed by officers throughout SPT and the Audit and Standards committee (as the scrutiny committee) and by the work of internal and external audit. It is SPT's view that the systems for internal control were effective during 2016/17 with no identified material weaknesses, and will be improved through implementation of the recommended actions from internal and external audit reports, and continuous corporate business planning.

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

SPT is committed to ensuring that governance and internal financial control arrangements are robust, proportionate, and in line with good practice. SPT has established a culture of continuous improvement, and is thorough in addressing issues that emerge either through self-assessment, business improvement processes or as part of the external scrutiny process.

Martin Bartos	**Gordon Maclennan**
Chair	Chief Executive
xx xxxx 2017	xx xxxx 2017

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Accounting Policies

General Principles

The financial statements for the year ended 31 March 2017 have been compiled on the basis of recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) and the Service Reporting Code of Practice 2016/17 (SeRCOP). 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 2016/17.

The accounting concepts of 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements' have been considered in the application of accounting policies. In this regard the materiality concept means that information is included where the information is of such significance as to justify its inclusion. The accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received. The going concern concept assumes that 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 financial statements 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 financial statements for the accounting period in which those effects are experienced and not in the period in which any cash is received or paid.

- Revenue income and debtors
  All transactions relating to the period to 31 March 2017 have been matched and accounted for in the period to which they relate. 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 2017 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. Service Reporting Code of Practice (SeRCOP)

The Comprehensive Income and Expenditure Statement (CIES) has been presented in accordance with the requirements of the SeRCOP. The CIES presents expenditure analysed to reflect the key operations of SPT, which is accordance with SeRCOP.

3. 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.

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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.

4. 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.

5. 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.

6. Retirement Benefits

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

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

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

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of the year of service earned this year – allocated in the CIES to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the CIES;

- net interest on the net defined benefit liability (asset), i.e. net interest expense for SPT – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

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

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

Further details of Pension Costs can be found in note 14 on pages 37 to 42.

7. Stocks for repair and maintenance

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

8. 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.

9. 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.

10. Investments

Surplus cash balances are invested with major financial institutions as part of SPT's treasury management function. In compliance with the 'CIPFA Prudential Code for Capital Finance in Local Authorities (2011)', SPT has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in Public Services Code. All interest received is shown on the face of the CIES.

11. Bank balances

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

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12. 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.

13. 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.

14. 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.

15. 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, Capital Grants Unapplied and Capital Receipts Reserve 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.

16. 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.

17. 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.

18. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

- rolling stock, infrastructure, plant and machinery and sundry assets - depreciated historical cost;
- land and buildings – depreciated replacement cost or existing useful life; and
- all other assets – fair value, existing use value (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 2017 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.

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, 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).

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Depreciation is calculated on the following bases:

Category	Valuer	Current Basis of Valuation	Date of Last Valuation	Useful Life
Land & Buildings	External Valuer	Lower of net current replacement cost or net realisable value in existing use	31/03/2017	Land - Not Applicable Buildings - 100 years
Plant & Machinery	Not applicable	Cost	N/A	1-30 years
Rolling Stock & Vehicles	Not applicable	Cost	N/A	1-25 years
Infrastructure Assets	Not applicable	Cost	N/A	10-40 years
Sundry Assets	Not applicable	Cost	N/A	1-40 years
Non – Operational Assets				
Assets Under Construction	Not applicable	Cost	N/A	N/A
Investment Properties	External Valuer	Market Value	31/03/2017	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 internal staff costs are capitalised they are fully depreciated in the year incurred or whenever transferred out of Assets Under Construction, whichever is the earlier.

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

Investment properties

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

19. 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).

20. 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. Premiums and discounts arising from debt restructuring are written off through the Movement in Reserves Statement to the Financial Instruments Adjustment Account. Amortisation is undertaken of up to 5 or 20 years depending on the nature of the premium or discount and in line with statutory instruction.

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.

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

(i) The Available-for-sale Financial Instruments Reserve holds the gains or losses arising from the policy of carrying the available-for-sale investments at fair value;

(ii) The Financial Instruments Adjustment Account holds the accumulated difference between the financing costs included in the CIES and the accumulated financing costs required in accordance with the regulations to be charged to the General Fund Balance.

21. 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.

22. 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.

23. Carbon Reduction Commitment Scheme

SPT is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the third year of its second phase, which ends on 31 March 2019. SPT is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

24. 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.

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Expenditure and Funding Analysis Statement
for the year ended 31 March 2017

2015/16 Net Expenditure Chargeable to the General Fund £000	2015/16 Adjustments between the Funding and Accounting Basis £000	2015/16 Net expenditure in the Comprehensive Income and Expenditure Statement £000		2016/17 Net Expenditure Chargeable to the General Fund £000	2016/17 Adjustments between the Funding and Accounting Basis £000	2016/17 Net expenditure in the Comprehensive Income and Expenditure Statement £000
(139)	9,080	8,941	Subway operations	2,246	15,864	18,110
16,463	3,189	19,652	Bus operations	16,131	3,507	19,638
1,728	98	1,826	Operations - Other	1,476	122	1,598
3,252	426	3,678	Business Support	2,921	133	3,054
17,114	8,902	26,016	Corporate	15,644	1,681	17,325
38,418	**21,695**	**60,113**	**Cost Of Services**	**38,418**	**21,307**	**59,725**
(38,418)	(32,202)	(70,620)	Other Income and Expenditure	(38,418)	(42,872)	(81,290)
0	**(10,507)**	**(10,507)**	**(Surplus) or Deficit**	**0**	**(21,565)**	**(21,565)**
(12,526)			Opening General Fund Balance	(11,169)		
1,357			Less (Surplus)/Deficit on General Fund	0		
(11,169)			**Closing General Fund Balance**	**(11,169)**		

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

2015/16 (Restated)* Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000		2016/17 Gross Expenditure £000	Gross Income £000	Net Expenditure of Continuing Operations £000
27,802	(18,861)	8,941	Subway operations	34,995	(16,885)	18,110
23,122	(3,470)	19,652	Bus operations	23,298	(3,660)	19,638
1,826	0	1,826	Operations - Other	1,598	0	1,598
3,678	0	3,678	Business Support	3,054	0	3,054
27,398	(1,382)	26,016	Corporate and democratic core	18,575	(1,250)	17,325
83,826	**(23,713)**	**60,113**	**Cost Of Services**	**81,520**	**(21,795)**	**59,725**
		(1,092)	Financing and Investment Income and Expenditure (note 4)			(829)
		(69,528)	Taxation and Non-Specific Grant Income (note 5)			(80,461)
		(10,507)	**Surplus on Provision of Services**			**(21,565)**
		(1,830)	Upward valuation of non-current assets (note 7)			(9,959)
		(12,604)	Actuarial (gains) / losses on pension assets / liabilities (note 7)			18,651
		1,739	Other Comprehensive Income and Expenditure			4,255
		(23,202)	**Total Comprehensive Income and Expenditure**			**(8,618)**

*The 2015/16 Cost of Service figures have been restated to take account of a change in the Code, which has resulted in overheads no longer being apportioned to direct services. There is no overall change to the bottom line, which is still £60.113 million.

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Balance Sheet
as at 31 March 2017

31 March 2016 £000		Note	31 March 2017 £000
146,483	Property, Plant & Equipment	22	180,790
6,342	Investment Properties	19	5,363
0	Assets Held for Sale	25	950
617	Intangible Assets	20	575
5	Investments in Joint Ventures and Associates	33	5
153,447	**Long Term Assets**		**187,683**
41,660	Short Term Investments		65,331
319	Inventories	26	434
8,839	Short Term Debtors	27	7,847
54,804	Cash and Cash Equivalents	12	21,616
105,622	**Current Assets**		**95,228**
(40,576)	Short Term Creditors	28	(41,892)
(633)	Provisions	30	(1,792)
(41,209)	**Current Liabilities**		**(43,684)**
0	Provisions	30	0
(9,810)	Long Term Creditors	29	(1,875)
(28,973)	Other Long Term Liabilities (Pensions)	14	(49,657)
(38,783)	**Long Term Liabilities**		**(51,532)**
179,077	**Net Assets**		**187,695**
(62,202)	Usable reserves	6	(57,292)
(116,875)	Unusable Reserves	7	(130,403)
(179,077)	**Total Reserves**		**(187,695)**

The unaudited financial statements were issued on 23 June 2017 and the audited financial statements were authorised for issue on XX XXX 2017.

Valerie Davidson

Assistant Chief Executive (Business Support)

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Cash Flow Statement
for the year ended 31 March 2017

2015/16 £000		2016/17 £000
(10,507)	Net surplus on the provision of services	(21,565)
(41,652)	Adjust net surplus or deficit on the provision of services for non cash movements (note 8)	(28,970)
787	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	630
(787)	Net cash flows from Operating Activities (note 9)	(630)
43,966	Net cash flows from Investing Activities (note 10)	83,219
0	Net cash flows from Financing Activities (note 11)	504
(8,193)	Net increase in cash and cash equivalents	33,188
46,611	Cash and cash equivalents at the beginning of the reporting period	54,804
54,804	Cash and cash equivalents at the end of the reporting period (note 12)	21,616
(8,193)		33,188

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Movement in Reserves Statement
2016/17

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	**Total Usable Reserves £000**	Capital Adjustment Account £000	Revaluation Reserve £000	Pension Reserve £000	STACA Statutory Mitigation Account £000	**Total Unusable Reserves £000**	**Total Partnership Reserves £000**
Balance at 31 March 2016	**(11,169)**	**(22,872)**	**(28,161)**	**(62,202)**	**(95,395)**	**(50,566)**	**28,973**	**113**	**(116,875)**	**(179,077)**
Movement in reserves during 2016/17										
Surplus on provision of services	(21,565)	0	0	**(21,565)**	0	0	0	0	**0**	**(21,565)**
Other comprehensive income and expenditure	0	0	0	**0**	0	(6,208)	18,651	0	**12,443**	**(12,443)**
Total Comprehensive I&E	**(21,565)**	**0**	**0**	**(21,565)**	**0**	**(6,208)**	**18,651**	**0**	**12,443**	**(9,122)**
Adjustments between accounting basis and funding basis under regulations (note 3)	21,565	(100)	4,506	**25,971**	(28,028)	0	2,033	24	**(25,971)**	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**0**	**(100)**	**4,506**	**4,406**	**(28,028)**	**(6,208)**	**20,684**	**24**	**(13,528)**	**(9,122)**
Transfers (to)/from Earmarked Reserves	0	0	504	**504**	(94)	94	0	0	**0**	**504**
(Increase)/Decrease in 2016/17	**0**	**(100)**	**5,010**	**4,910**	**(28,122)**	**(6,114)**	**20,684**	**24**	**(13,528)**	**(8,618)**
Balance at 31 March 2017 carried forward	**(11,169)**	**(22,972)**	**(23,151)**	**(57,292)**	**(123,517)**	**(56,680)**	**49,657**	**137**	**(130,403)**	**(187,695)**

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Comparative figures for year ended 31 March 2016

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	**Total Usable Reserves £000**	Capital Adjustment Account £000	Revaluation Reserve £000	Pension Reserve £000	STACA Statutory Mitigation Account £000	**Total Unusable Reserves £000**	**Total Partnership Reserves £000**
Balance at 31 March 2015	(12,526)	(22,815)	(34,125)	(69,466)	(75,053)	(50,475)	38,987	132	(86,409)	(155,875)
Movement in reserves during 2015/16										
Surplus on provision of services	(10,507)	0	0	(10,507)	0	0	0	0	0	(10,507)
Other comprehensive income and expenditure	0	0	0	0	0	(91)	(12,604)	0	(12,695)	(12,695)
Total Comprehensive I&E	**(10,507)**	**0**	**0**	**(10,507)**	**0**	**(91)**	**(12,604)**	0	**(12,695)**	**(23,202)**
Adjustments between accounting basis and funding basis under regulations (note 3)	11,864	(57)	5,964	17,771	(20,342)	0	2,590	(19)	(17,771)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	1,357	(57)	5,964	7,264	(20,342)	(91)	(10,014)	(19)	(30,466)	(23,202)
Transfers (to)/from Earmarked Reserves	0	0	0	0	0	0	0	0	0	0
(Increase)/Decrease in 2015/16	1,357	(57)	5,964	7,264	(20,342)	(91)	(10,014)	(19)	(30,466)	(23,202)
Balance at 31 March 2016 carried forward	(11,169)	(22,872)	(28,161)	(62,202)	(95,395)	(50,566)	28,973	113	(116,875)	(179,077)

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1A. Note to the Expenditure and Funding Analysis Statement (2016/17) – Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

	Adjustments for Capital Purposes £000	Net change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Subway operations	15,288	494	82	15,864
Bus operations	2,680	251	576	3,507
Operations - Other	0	122	0	122
Business Support	0	133	0	133
Corporate	656	34	991	1,681
Cost Of Services	**18,624**	**1,034**	**1,649**	**21,307**
Other income and expenditure from the Expenditure and Funding Analysis	**(36,598)**	**999**	**(7,273)**	**(42,872)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus on the Provision of Services	**(17,974)**	**2,033**	**(5,624)**	**(21,565)**

Comparative Information for 2015/16

	Adjustments for Capital Purposes £000	Net change for the Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Subway operations	8,460	544	76	9,080
Bus operations	2,454	296	439	3,189
Operations - Other	0	98	0	98
Business Support	0	426	0	426
Corporate	7,392	0	1,510	8,902
Cost Of Services	**18,306**	**1,364**	**2,025**	**21,695**
Other income and expenditure from the Expenditure and Funding Analysis	**(12,781)**	**1,226**	**(20,647)**	**(32,202)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus on the Provision of Services	**5,525**	**2,590**	**(18,622)**	**(10,507)**

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1B. Segmental Income

Income received on a segmental basis is analysed below:

	2015/16 Income from Services £000	2016/17 Income from Services £000
Subway operations	(18,937)	(16,967)
Bus operations	(3,908)	(4,235)
Corporate	(2,913)	(2,218)
Total income analysed on a segmental basis	**(25,758)**	**(23,420)**

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.

2. Expenditure and Income Analysed by Nature

2015/16 £000		2016/17 £000
	Expenditure	
22,364	Employee costs	23,402
5,934	Premises costs	5,427
2,670	Supplies and services	2,146
396	Transport and plant	237
16,611	Third party payments	17,333
14,019	Financing costs (including impairments)	24,131
21,439	Grant Fund to Local Authorities and Others	8,396
1,226	Pension interest (income) / cost and expected return on pension assets	999
84,659	**Total Expenditure**	**82,071**
	Income	
(23,154)	Government grants	(37,290)
(46,374)	Other grants, reimbursements & contributions	(43,145)
(24,851)	Customer and client receipts	(22,571)
(787)	Financing and investment income	(630)
(95,166)	**Total Income**	**(103,636)**
(10,507)	**Surplus on Provision of Services**	**(21,565)**

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3. Movement in Reserves Statement (2016/17) – Adjustments between Accounting Basis and Funding Basis under Regulations

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000	Total £000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CIES:					
Charges for depreciation	(18,821)	0	0	18,821	0
Impairment of Property, Plant & Equipment	(873)	0	0	873	0
Revaluation reserve written out with depreciation	1,311	0	0	(1,311)	0
Revaluation losses on Property, Plant & Equipment	(4,934)	0	0	4,934	0
Movements in the fair value of Investment Properties	421	0	0	(421)	0
Amortisation of Intangible Assets	(215)	0	0	215	0
Capital grants and contributions applied to capital financing	36,228	0	0	(36,228)	0
Revenue expenditure funded from capital under statute	(8,396)	0	0	8,396	0
Amounts of non-current assets written off on disposal	(113)	0	0	113	0
Insertion of items not debited or credited to the CIES:					
Capital expenditure charged against the General Fund balances	18,887	0	0	(18,887)	0
Adjustments involving the Capital Receipts Reserve					
Transfer of sale proceeds credited to the CIES	100	(100)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure					
Adjustment involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the CIES	27	0	(27)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	4,533	(4,533)	0
Adjustments involving the Pensions Reserve:					
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES (see note 14)	(2,033)	0	0	2,033	0
Adjustments involving the Accumulating Compensated Absences Adjustment Account:					
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	(24)	0	0	24	0
Total Adjustments (1)	**21,565**	**(100)**	**4,506**	**(25,971)**	**0**

Opening General Fund balance 1 April 2016	**(11,169)**
Surplus on CIES	(21,565)
Total Adjustments as (1) above	21,565
Closing General Fund balance 31 March 2017	**(11,169)**

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 the resources that are specified by statutory provisions as being available to SPT to meet future capital and revenue expenditure.

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

Comparative Information for 2015/16

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000	Total £000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the CIES:					
Charges for depreciation	(11,695)	0	0	11,695	0
Impairment of Property, Plant & Equipment	(1,469)	0	0	1,469	0
Revaluation reserve written out with depreciation	1,371	0	0	(1,371)	0
Movements in the fair value of Investment Properties	(1,202)	0	0	1,202	0
Amortisation of Intangible Assets	393	0	0	(393)	0
Revaluation reserve adjustment	(191)	0	0	191	0
Capital grants and contributions applied to capital financing	24,511	0	0	(24,511)	0
Revenue expenditure funded from capital under statute	(21,439)	0	0	21,439	0
Amounts of non-current assets written off on disposal	(20)	0	0	20	0
Insertion of items not debited or credited to the CIES:					
Capital expenditure charged against the General Fund balances	23,922	0	0	(23,922)	0
Adjustments involving the Capital Receipts Reserve					
Transfer of sale proceeds credited to the CIES	157	(157)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	100	0	(100)	0
Adjustment involving the Capital Grants Unapplied Account					
Capital grants and contributions unapplied credited to the CIES	97	0	(97)	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	6,061	(6,061)	0
Adjustments involving the Pensions Reserve:					
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES (see note 14)	(2,590)	0	0	2,590	0
Adjustments involving the Accumulating Compensated Absences Adjustment Account:					
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	19	0	0	(19)	0
Total Adjustments (1)	**11,864**	**(57)**	**5,964**	**(17,771)**	**0**

Opening General Fund balance 1 April 2015	**(12,526)**
Surplus on CIES	(10,507)
Total Adjustments as (1) above	11,864
Closing General Fund balance 31 March 2016	**(11,169)**

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 the resources that are specified by statutory provisions as being available to SPT to meet future capital and revenue expenditure.

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

2015/16 £000		2016/17 £000
1,226	Pensions interest cost and expected return on pensions assets	999
(394)	Revaluation of Investment Property	(421)
(1,137)	Net rental income	(777)
(787)	Interest receivable and similar income	(630)
(1,092)	**Total**	**(829)**

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

2015/16 (Restated)* £000		2016/17 £000
(43,763)	Funding received as requisition from constituent local authorities	(42,951)
(17,105)	Scottish Government Revenue Grant	(6,873)
(2,323)	European Revenue Grant	0
(331)	Other Revenue Grant	(30)
(6,000)	Scottish Government Capital Grant	(30,523)
(6)	European Capital Grant	(19)
0	Other Capital Grant	(65)
(69,528)	**Total**	**(80,461)**

All of the above grants were credited to the "Taxation and Non-specific Grant Income" line on the Comprehensive Income and Expenditure Account. Not all of the Scottish Government - Capital Grant was applied during the year and therefore £0.027 million (2015/16: £0.097 million) was transferred to the Capital Grants Unapplied Account, within usable reserves (see Movement in Reserves Statement, page 26).

*Capital grant that was utilised to fund Revenue expenditure funded from capital under statute has been reclassified as revenue grant. The overall Taxation and Non Specific Grants Income figures remain unchanged at £69.528m.

6. Balance Sheet – Usable Reserves

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

7. Balance Sheet – Unusable Reserves

31 March 2016 £000		31 March 2017 £000
(50,566)	Revaluation Reserve	(56,680)
(95,395)	Capital Adjustment Account	(123,517)
28,973	Pensions Reserve	49,657
113	Accumulating Compensated Absences Adjustment Account	137
(116,875)	**Total Unusable Reserves**	**(130,403)**

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7. Balance Sheet – Unusable Reserves (continued)

Revaluation Reserve

The Revaluation Reserve contains the gains made by SPT arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

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

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

2015/16 £000		2016/17 £000
(50,475)	**Opening Balance**	**(50,566)**
(1,830)	Upward revaluation of assets	(9,958)
368	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,439
1,371	Revaluation reserve written out with depreciation	1,311
0	Transfer to capital adjustment account	94
(50,566)	**Closing Balance**	**(56,680)**

Capital Adjustment Account

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

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.

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7. Balance Sheet – Unusable Reserves (continued)

Note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16 £000		2016/17 £000
(75,053)	**Opening Balance**	(95,395)
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
11,695	Charges for depreciation	18,821
1,469	Impairment of Property, Plant & Equipment	873
(1,371)	Revaluation reserve written out with depreciation	(1,311)
1,202	Revaluation losses on Property, Plant & Equipment	4,934
(393)	Movements in the fair value of Investment Properties	(421)
191	Amortisation of Intangible Assets	215
(24,511)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(36,228)
21,439	Revenue expenditure funded from capital under statute	8,396
20	Amounts of non-current assets written off on disposal	113
	Capital financing applied in the year:	
(23,922)	Capital Financed from Revenue	(18,887)
(100)	Transfer from Capital Receipts Reserve	0
(6,061)	Transfer from Capital Grants Unapplied Account	(4,533)
	Transfers to/(from) Earmarked Reserves:	
0	Revaluation Reserve	(94)
(95,395)	**Closing Balance**	(123,517)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. SPT accounts for post employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed, as SPT makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources SPT has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2015/16 £000		2016/17 £000
38,987	**Opening Balance**	28,973
(12,604)	Actuarial gains or losses on pensions assets and liabilities	18,651
6,095	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	5,251
(3,505)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,218)
28,973	**Closing Balance**	49,657

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7. Balance Sheet – Unusable Reserves (continued)

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment 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. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2015/16 £000		2016/17 £000
132	**Opening Balance**	113
(19)	Settlement or cancellation of accrual made at the end of the preceding year	0
0	Amounts accrued at the end of the current year	24
113	**Closing Balance**	**137**

8. Cash Flow Statement – Non Cash Movements

2015/16 £000		2016/17 £000
(11,695)	Depreciation (note 3)	(18,821)
(1,469)	Asset impairments (note 3)	(873)
1,371	Revaluation reserve released (note 3)	1,311
(1,202)	Revaluation losses on Property, Plant and Equipment	(4,934)
393	Revaluation of investment property (note 3)	421
(191)	Amortisation of intangible fixed assets (note 3)	(215)
(2,590)	Credit for retirement benefits (note 3)	(2,033)
137	Gain / (loss) on asset disposal (note 3)	(13)
108	(Increase) / decrease in provisions for liabilities and charges	(1,159)
(21,439)	Revenue expenditure funded from capital (note 3)	(8,396)
	Accruals adjustments:	
141	(Decrease) / increase in inventory	115
(21,313)	(Decrease) / increase in debtors	(986)
16,097	Increase in creditors	6,613
(41,652)	**Net cash inflow from revenue activities**	**(28,970)**

9. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2015/16 £000		2016/17 £000
(787)	Interest received (note 4)	(630)
(787)	**Net cash flow from operating activities**	**(630)**

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10. Cash Flow Statement – Investing Activities

2015/16 £000		2016/17 £000
54,594	Purchase of property, plant and equipment, investment property, intangible assets and grants	59,648
(10,471)	Other payments for investing activities	23,671
(157)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(100)
43,966	**Net cash flows from investing activities**	**83,219**

11. Cash Flow Statement – Financing Activities

2015/16 £000		2016/17 £000
0	Repayments of short-term and long-term borrowing	0
0	Other payments for financing activities	504
0	**Net cash flows from financing activities**	**504**

12. Cash Flow Statement – Cash and Cash Equivalents

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

2015/16 £000		2016/17 £000
54,804	Bank current accounts	21,616
54,804	**Total cash and cash equivalents**	**21,616**

13. External Audit Costs

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

2015/16 £000		2016/17 £000
65	Fees payable with regard to external audit services carried out by the appointed auditor for the year	69
0	Fees payable for additional services	0
65	**Total**	**69**

14. Defined Benefit Pension Schemes

Participation in pension schemes

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

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14. Defined Benefit Pension Schemes (continued)

Benefits

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

Governance

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

Principal Risks

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

Discretionary Post-employment Benefits

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

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14. Defined Benefit Pension Schemes (continued)

Transactions Relating to Post-employment Benefits

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

The following transactions have been made in the financial statements in 2016/17 and the prior year 2015/16.

	2015/16 £000	2016/17 £000
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services:		
Service cost comprising		
• current service cost	4,726	4,249
• past service costs (including curtailments)	143	3
• curtailments and unfunded benefits	0	0
Financing and Investment Income and Expenditure		
• net interest expense	1,226	999
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**6,095**	**5,251**
Other Post Employment Benefit Charged to the CIES		
• expected return on scheme assets	1,001	(36,342)
• Re-measurements	(13,605)	54,993
Total Post Employment Benefit Charged to the CIES	**(6,509)**	**23,902**
Movement in Reserves Statement		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	2,590	2,033
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers' contributions payable to scheme	3,505	3,218

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:

	2015/16 £000	2016/17 £000
Present value of scheme liabilities	(214,205)	(273,245)
Fair value of scheme assets	185,232	223,588
Deficit	**(28,973)**	**(49,657)**

14. Defined Benefit Pension Schemes (continued)

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

	2015/16 £000	2016/17 £000
Opening fair value of pension fund assets at 1st April	**184,664**	**185,232**
Interest income	5,665	6,230
Re-measurement gains and (losses)		
• The return on plan assets, excluding the amount included in the net interest expense	(1,001)	36,342
Contributions from employers	3,505	3,218
Contributions from employees into the scheme	998	993
Benefits paid	(8,599)	(8,427)
Closing balance at 31st March	**185,232**	**223,588**

Reconciliation of Present Value of the Scheme Liabilities

	2015/16 £000	2016/17 £000
Opening balance at 1st April	**223,651**	**214,205**
Current service cost	4,726	4,249
Interest cost	6,891	7,229
Contributions by Pension Fund participants	998	993
Re-measurement (gains) and losses:		
• Losses arising from changes in demographic assumptions	0	0
• Losses arising from changes in financial assumptions	(10,537)	54,743
• Other	(3,068)	250
Past service costs (including curtailments)	143	3
Benefits paid	(8,599)	(8,427)
Closing balance at 31st March	**214,205**	**273,245**

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14. Defined Benefit Pension Schemes (continued)

Analysis of Pension Fund's Assets

SPT's share of the Pension Fund's assets at 31 March 2017 comprised:

	2015/16			2016/17		
	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	Total £000
Equity instruments (by industry type)						
• Consumer	17,368	4	17,372	21,146	1	21,147
• Manufacturing	13,757	120	13,877	16,749	35	16,784
• Energy & utilities	5,458	0	5,458	6,645	0	6,645
• Financial institutions	12,780	1	12,781	15,560	0	15,560
• Health & care	7,468	4	7,472	9,093	1	9,094
• Information technology	10,560	16	10,576	12,856	5	12,861
Sub-total equity	67,391	145	67,536	82,049	42	82,091
Corporate Bonds	0	0	0	0	2	2
UK Property	0	19,899	19,899	0	26,969	26,969
Private equity	0	18,018	18,018	0	18,434	18,434
Other investment funds						
• Equities	1,611	46,469	48,080	2,163	69,723	71,886
• Bonds	0	22,608	22,608	0	12,553	12,553
• Commodities	63	0	63	150	0	150
• Other	0	2,600	2,600	282	2,750	3,032
Sub-total other investment funds	1,674	71,677	73,351	2,595	85,026	87,621
Derivatives						
• Foreign exchange	0	0	0	0	30	30
• Other	45	0	45	19	0	19
Sub-total derivatives	45	0	45	19	30	49
Cash and cash equivalents	6,185	198	6,383	8,050	372	8,422
Total assets	**75,295**	**109,937**	**185,232**	**92,713**	**130,875**	**223,588**

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14. Defined Benefit Pension Schemes (continued)

Basis for Estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:

Local Government Pension Scheme

	2015/16	2016/17
Long-term expected rate of return on assets in the scheme:		
Equity investments	3.4%	2.8%
Bonds	3.4%	2.8%
Property	3.4%	2.8%
Cash	3.4%	2.8%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	22.1	22.1
• Women	23.6	23.6
Longevity at 65 for future pensioners:		
• Men	24.8	24.8
• Women	26.2	26.2
Rate of CPI	2.1%	2.4%
Rate of increase in salaries	4.1%	4.4%
Rate of increase in pensions	2.1%	2.4%
Rate for discounting fund liabilities	3.4%	2.5%
Take-up of option to convert annual pension into retirement lump sum (Pre-April 2009)	50%	50%
Take-up of option to convert annual pension into retirement lump sum (Post-April 2009)	75%	75%

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

14. Defined Benefit Pension Schemes (continued)

Change in assumptions at 31 March 2017	Approximate % increase / decrease to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10%	27,618
0.5% increase in the Salary Increase Rate	4%	9,613
0.5% increase in the Pension Increase Rate	6%	17,122

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 2017 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. Employer's contributions have been set at 19.3% for 2017-18.

The total contributions expected to be made by SPT to Strathclyde Pension Fund in the year to 31st March 2018 is £2,908 million.

The weighted average duration of the defined benefit obligation for Fund members is 16.7 years (2015/16: 16.7 years).

15. Events after the Balance Sheet Date

The financial statements were authorised for issue by the Assistant Chief Executive (Business Support) on XX XXX 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

16. Related Parties

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

Scottish Government and its agencies

During 2016/17 Transport Scotland, an agency of the Scottish Government, provided SPT with revenue grant funding of £1.256 million (2015/16: £1.108 million) and capital grants totalling £36.133 million (2015/16: £24.276 million). Grant receipts and invoices outstanding at 31 March 2017 were £2.330 million (2016: £3.001 million) and are included in Central Government Bodies (note 27 Debtors). Prepaid income

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16. Related Parties (continued)

and invoices outstanding at 31 March 2017 were £1.077m (2016: £0.272m) and are included in Central Government Bodies (note 28 Crediotrs) Grants received but not utilised at 31 March 2017 were £20.340 million (2016: £25.376 million) and are included in Capital Grants Unapplied Account (note 1).

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 2016/17 is shown in the Remuneration Report.

During 2016/17 the 12 Local Authorities in Strathclyde provided funding totalling £37.381 million (2016/17: £37.381 million) in the form of requisition.

During 2016/17 Glasgow City Council, North Lanarkshire Council & West Dunbartonshire Council provided SPT with capital funding (as either grants or contributions) of £0.038 million (2015/16: £0.282 million). SPT also received revenue income and grants from local authorities totalling £1.793 million (2016: £1.213 million).

During 2016/17 SPT provided capital grants totalling £7.005 million (2015/16: £18.841 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 £0.790 million (2016: £0.743 million).

There is a balance of £0.437 million (2016: £0.285 million) in relation to outstanding invoices and accrued income within Debtors (note 27). There is also a balance of £24.819 million (2016: within Creditors (note 28) which primarily relates to outstanding invoices and receipts in advance. A balance for receipts in advance is also sitting within Long Term Creditors (note 29) totalling £1.875 million (2016: £9.810 million).

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 2016/17 SPT charged £0.295 million (2015/16: £0.325 million) to SCTS for the provision of these services. Charges outstanding at 31 March 2017 were £0.295 million (2016: £0.325 million) and are included SCTS (note 27 Debtors). A balance of £0.017 million (2016:£0.001 million) for prepaid income is included within SCTS (note 28 Creditors).

Nevis Technologies Limited

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

During 2016/17 SPT approved payments totalling £0.171 million (2015/16: £0.224 million) to Nevis Technologies Limited in support of the development of a smartcard ticketing and payment service. Payments outstanding at 31 March 2017 were £0.067 million (2016: £0.069 million) and are included in Bodies External to General Government (note 28 Creditors).

Traveline Scotland Limited

Eric Stewart, Assistant Chief Executive (Operations) is a director of Traveline Scotland Limited.

During 2016/17 SPT approved payments totalling £0.040 million (2015/16: £0.009 million) to Traveline Scotland Limited in support of the development of health related travel information. Payments outstanding at 31 March 2017 were £0.020 million (2016: £0.000 million) and are included in Bodies External to General Government (note 28 Creditors).

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17. Agency Activities

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

Total Costs 2015/16 £000		Administration Recharge £000	Direct Service Payments £000	Total Costs £000
27,615	School and Vocational Transport	1,000	26,682	27,682
932	Bus Shelter Maintenance	222	669	891
4,254	Strathclyde Concessionary Travel Scheme	300	3,956	4,256
32,801	**Year to 31 March 2017**	**1,522**	**31,307**	**32,829**

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

18. Leases

SPT as Lessee

Finance Leases
SPT does not currently have any leases that meet the definition of a finance lease (2015/16: £0 million).

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

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

2015/16 £000		2016/17 £000
32	Not later than one year	48
123	Later than one year and not later than five years	147
53	Later than five years	172
208		**367**

19. Investment Properties

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

2015/16 £000		2016/17 £000
(1,137)	Rental income from investment property	(777)
0	Direct operating expenses arising from investment property	0
(1,137)	**Net**	**(777)**

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

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19. Investment Properties (continued)

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

2015/16 £000		2016/17 £000
5,949	Balance at start of the year	6,342
0	Additions/disposals	0
393	Net gains/(losses) from fair value adjustments	421
0	Transfers from/(to) Property, Plant and Equipment	(450)
0	Transfers from/(to) Assets Held for Sale	(950)
6,342	Balance at end of the year	5,363

20. Intangible Assets

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 include both purchased licenses and internally 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.

The movement on Intangible Assets (software and other intangibles) balances during the year is as follows:

2015/16 £000		2016/17 £000
	Balance at start of the year	
1,915	Gross carrying amounts	2,004
(1,196)	Accumulated amortisation	(1,387)
719	Net carrying amount at start of year	617
89	Additions	173
0	Transfers cost	0
(191)	Amortisation for the period	(215)
617	Net carrying amount at the end of the year	575
	Comprising:	
2,004	Gross carrying amounts	2,177
(1,387)	Accumulated amortisation	(1,602)
617		575

21. Impairment Losses

During 2016/17 SPT has recognised a management assessed impairment loss of £0.880 million (2015/16: £1.517 million) in relation to its Subway and Bus Operations assets.

The costs incurred on the upgrade of Subway Stations and the preparatory work for other stations was reviewed to ascertain if the cost of work done to date would increase that asset value by a similar or lesser amount.

Following the implementation of a Fleet Renewal Programme, a review was undertaken of existing fleet assets to determine if any required accelerated replacement.

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21. Impairment Losses (continued)

The resulting impairment losses have been charged to the Subway Operations and Bus Operations lines in the CIES, and to the Revaluation Reserve as follows:

	CIES £000	Revaluation Reserve £000	2016/17 Total £000
Property, Plant & Equipment (note 22):			
Land & Buildings: costs incurred in upgrading subway station buildings	843	7	850
Rolling Stock & Vehicles: carrying amount of buses reduced to estimated residual value	30	0	30
Total	**873**	**7**	**880**

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22. Property, Plant and Equipment

Movements in 2016/17

	Land & Buildings	Plant & Machinery	Rolling Stock & Vehicles	Infra-structure Assets	Sundry Assets	Assets Under Construction	Investment Properties	Assets Held for Sale	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2016	106,957	8,571	40,401	59,498	12,307	9,513	6,342	0	243,589
Additions	7,176	29	1,370	19,463	3,575	19,466	0	0	51,079
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,755	0	0	0	0	0	0	0	3,755
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,136)	0	0	0	0	0	421	0	(7,715)
Derecognition – Disposals	(186)	0	(1,919)	0	(527)	0	0	0	(2,632)
Transfers	3,190	0	0	0	6,722	(9,462)	(1,400)	950	0
At 31 March 2017	**112,756**	**8,600**	**39,852**	**78,961**	**22,077**	**19,517**	**5,363**	**950**	**288,076**
Accumulated Depreciation and Impairment									
At 1 April 2016	5,727	3,167	33,778	38,808	9,284	0	0	0	90,764
Depreciation charge	3,610	336	1,872	2,369	10,634	0	0	0	18,821
Depreciation written out to the Revaluation Reserve	(3,771)	0	0	0	0	0	0	0	(3,771)
Depreciation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,236)	0	0	0	0	0	0	0	(2,236)
Impairment losses/(reversals) recognised in the Revaluation Reserve	7	0	0	0	0	0	0	0	7
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(123)	0	30	0	0	0	0	0	(93)
Derecognition – Disposals	(80)	0	(1,912)	0	(527)	0	0	0	(2,519)
Transfers	0	0	0	0	0	0	0	0	0
At 31 March 2017	**3,134**	**3,503**	**33,768**	**41,177**	**19,391**	**0**	**0**	**0**	**100,973**
Net Book Value									
At 31 March 2017	**109,622**	**5,097**	**6,084**	**37,784**	**2,686**	**19,517**	**5,363**	**950**	**187,103**
At 31 March 2016	**101,230**	**5,404**	**6,623**	**20,690**	**3,023**	**9,513**	**6,342**	**0**	**152,825**

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22. Property, Plant and Equipment (continued)

Comparative Movements in 2015/16

	Land & Buildings	Plant & Machinery	Rolling Stock & Vehicles	Infra-structure Assets	Sundry Assets	Assets Under Construction	Investment Properties	Assets Held for Sale	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2015	96,820	9,113	40,600	48,404	11,753	6,319	5,949	0	218,958
Additions	13,241	154	2,481	11,094	2,503	3,593	0	0	33,066
Revaluation increases/(decreases) recognised in the Revaluation Reserve	442	0	0	0	0	0	0	0	442
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,945)	0	0	0	0	0	393	0	(3,552)
Derecognition – Disposals	0	(696)	(2,680)	0	(1,949)	0	0	0	(5,325)
Transfers	399	0	0	0	0	(399)	0	0	0
At 31 March 2016	**106,957**	**8,571**	**40,401**	**59,498**	**12,307**	**9,513**	**6,342**	**0**	**243,589**
Accumulated Depreciation and Impairment									
At 1 April 2015	4,907	3,107	33,986	35,892	8,776	0	0	0	86,668
Depreciation charge	3,666	266	2,400	2,916	2,447	0	0	0	11,695
Depreciation written out to the Revaluation Reserve	(1,068)	0	0	0	0	0	0	0	(1,068)
Depreciation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(567)	0	0	0	0	0	0	0	(567)
Impairment losses/(reversals) recognised in the Revaluation Reserve	48	0	0	0	0	0	0	0	48
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,259)	490	62	0	0	0	0	0	(707)
Derecognition – Disposals	0	(696)	(2,670)	0	(1,939)	0	0	0	(5,305)
Transfers	0	0	0	0	0	0	0	0	0
At 31 March 2016	**5,727**	**3,167**	**33,778**	**38,808**	**9,284**	**0**	**0**	**0**	**90,764**
Net Book Value									
At 31 March 2016	**101,230**	**5,404**	**6,623**	**20,690**	**3,023**	**9,513**	**6,342**	**0**	**152,825**
At 31 March 2015	**91,913**	**6,006**	**6,614**	**12,512**	**2,977**	**6,319**	**5,949**	**0**	**132,290**

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22. Property, Plant and Equipment (continued)

Capital Commitments

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

Service	Outstanding Commitments as at 31 March 2017 £000	Contract Completion Dates
Subway Modernisation	164,380	Various
Subway Infrastructure	5,564	Various
Subway Operations	743	Various
Projects / Other	533	Various
Bus Operations	120	Various
Total	**171,340**	

Revaluations – Land and Buildings

To comply with the Code, SPT has completed a revaluation exercise on all land and buildings owned by SPT. The land and buildings were revalued at 31 March 2017 by external valuers, the District Valuer.

The valuation process was undertaken in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Inspections were carried out at the end of the financial year. The District Valuer confirmed that the valuations were provided on the following basis:

"The valuations incorporated in these financial statements have been provided by District Valuer Services of the Valuation Office Agency in the capacity of External Valuer. The date of valuation is 31 March 2017 and in accordance with the requirements of the RICS Valuation Standards and International Financial Reporting Standards (IFRS) as applied to the United Kingdom public sector and interpreted by the current CIPFA Code of Practice for Local Authority Accounting, as applicable from 1st April 2015 the valuation of each property was provided on the following bases and assumptions:

(a) For owner occupied property: valued to Current Value in existing Use (EUV) having regard to the service potential that an asset provides in support of the entity's service delivery and on the assumption 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) For investment property: valued to Fair Value Fair Value as defined by IFRS 13, and equates to being the Market Value of the legal interest held.

District Valuer Services' opinion of Current Value and Fair Value was primarily derived using:

(a) comparable recent market transactions on arm's length terms;

(b) For Specialised Assets: the depreciated replacement cost approach because the specialised nature of the asset means that there are no market transactions of this type of asset except as part of the business or entity.

The sources of information and assumptions made in producing the various valuations are set out in the Valuation Report which is not published in the annual report and financial statements.

The valuation figures incorporated in the annual report and financial statements are the aggregate of separate valuations of parts of the portfolio, not a valuation or apportioned valuation of the portfolio valued as a whole."

The revaluation exercise in 2017 excluded Kelvinhall Subway Station and Broomloan Depot since these properties were revalued in 2015 following completion of extensive modernisation work. Management have considered the valuations performed in 2015 and, as they are not aware of any material change in value, the valuations have not been updated for these two properties.

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22. Property, Plant and Equipment (continued)

The revaluation exercise in 2017 excluded 131 St Vincent Street (headquarters) since this property was revalued in 2015 following acquisition and has subsequently undergone extensive fit-out and modernisation work completed in 2016. Management have considered the valuation performed in 2015 and, as they are not aware of any material change in value, the valuation has not been updated for this property.

The revaluation exercise in 2017 excluded St Enoch Subway Station and Buchanan Subway Station since these properties were revalued in 2016 following completion of extensive modernisation work. Management have considered the valuations performed in 2016 and, as they are not aware of any material change in value, the valuations have not been updated for these two properties.

Extensive modernisation work at Kelvinbridge Subway Station is due to be completed in 2017/18 and this property will be revalued at that time. The costs incurred to 31 March 2017 were reviewed to ascertain if they would increase that asset value by a similar or lesser amount and an impairment loss has been recognised.

Revaluations – Non-operational investment and land properties
As required by the Code, an annual valuation of non-operational investment and land properties was conducted at 31 March 2017. This exercise was conducted by SPT's external valuers, the District Valuer.

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.

2015/16 £000		2016/17 £000
0	Opening Capital Financing Requirement	0
	Capital investment	
33,066	Property, Plant and Equipment	51,079
89	Intangible Assets	173
21,439	Revenue expenditure funded from capital under statute	8,396
	Sources of finance	
(100)	Capital receipts	0
(30,572)	Government grants and other contributions	(40,761)
(23,922)	Revenue contributions*	(18,887)
0	Closing Capital Financing Requirement	0

*The £18.887 million in 2016/17 is comprised of £1.8 million of direct revenue contributions to capital (2015/16: £6.953 million) and £17.087 million contribution from the "Subway Fund" (2015/16: £16.969 million), which is represented in the balance sheet as Long Term Creditors.

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. Assets Held for Sale

The following table summarises the movement in the fair value of non-current assets held for sale over the year:

2015/16 £000		2016/17 £000
0	**Balance at start of year**	0
0	Assets newly classified as held for sale: Investment Properties	950
0	**Balance at year-end**	950

26. Inventories

2015/16 £000		2016/17 £000
178	**Balance at start of year**	319
1,240	Purchases	1,514
(1,099)	Recognised as an expense in the year	(1,399)
319	**Balance at year-end**	434

27. Short Term Debtors

31 March 2016 £000		31 March 2017 £000
2,741	Bodies external to general government	1,571
4,939	Central government bodies	4,879
627	Other local authorities	998
325	Strathclyde Concessionary Travel Scheme	333
207	NHS Bodies	66
8,839	**Total**	7,847

28. Short Term Creditors

31 March 2016 £000		31 March 2017 £000
12,172	Bodies external to general government	14,004
633	Central government bodies	1,456
26,206	Other local authorities	24,839
1	Strathclyde Concessionary Travel Scheme	17
0	NHS Bodies	12
1,564	Public corporations and trading funds	1,564
40,576	**Total**	41,892

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29. Long Term Creditors

31 March 2016 £000		31 March 2017 £000
9,810	Receipts in advance – Other local authorities	1,875
9,810	**Total**	**1,875**

30. Provisions

	Injury and Damage Compensation Claims £000	Employee £000	Legal and Other Claims £000	Total £000
Balance at 1 April 2016	**73**	**357**	**203**	**633**
Additional provisions made in 2016/17	43	683	681	1,407
Amounts used in 2016/17	-1	0	-203	-204
Unused amounts reversed in 2016/17	-44	0		-44
Balance at 31 March 2017	**71**	**1,040**	**681**	**1,792**

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

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

The legal and other claims provision takes account of estimated legal fees and settlement costs.

31. Contingent Liabilities

At 31 March 2017 SPT did not have any contingent liabilities (2015/16: nil).

32. Financial Instruments

SPT is debt free with all historic debt being repaid to Glasgow City Council (GCC) during 2010/11. As a consequence, SPT currently has no debt related financial instruments disclosure requirements and the following disclosure covers all areas relevant to SPT's activities.

Financial Instruments Gains / Losses / Expenses charged during 2016/17 (at amortised cost)
The gain incurred by SPT in 2016/17 was an interest gain of £0.630 million. There was no expense as SPT is debt free at present.

Nature and extent of risks arising from financial instruments
SPT has fully adopted CIPFA's Code of Treasury Management Practices and has specific written risk management policies and procedures.

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

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32. 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 2016 £000		Amount as at 31 March 2017 £000	Historical Experience of Non-payment Adjusted for Market Conditions %	Estimated Maximum Exposure to Default and Uncollectability £000
96,588	Deposits with banks and other financial institutions	88,182	0	0
949	Customers	1,114	0.1	1
97,537	**Total**	**89,296**		**1**

SPT does not normally allow credit for customers, and therefore £0.827 million of the £1.114 million balance is past its due date for payment. The amount can be analysed as follows:

31 March 2016 £000	Age	31 March 2017 £000
876	Less than 3 months	901
56	3 to 6 months	210
16	6 months to 1 year	3
1	More than 1 year	0
949	**Total**	**1,114**

SPT held no bank overdraft facility as at 31 March 2017. Trade creditors amounted to £9.251 million.

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

Market Risk

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

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

According to these investment strategies, as at 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2016 £000		31 March 2017 £000
	Estimated Financial Effect	
(1,083)	Increase in interest receivable on variable rate investments	(961)
(1,083)	**Net theoretical impact on I&E Account**	**(961)**

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

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32. Financial Instruments (continued)

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

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

- No reclassification of assets carrying value between fair value and amortised cost was made;
- No transfer of financial assets were made;
- No carrying value, or fair value of collateral was held;
- No credit losses on financial assets occurred;
- No defaults on loans payable occurred;
- No gain or loss on financial assets or liabilities at fair value were recorded in the CIES;
- There was no gain on loans and receivables;
- There was no gain or loss on financial liabilities at amortised cost;
- There was no gain or loss arising from impairment on any class of financial asset;
- SPT did not directly apply a fair value determination of financial instruments
- No carrying amount was estimated for short term receivables and payables;
- No offsetting of financial assets and liabilities occurred;
- There were no breaches of long term loan agreements that would have resulted in payment due in less than one year now being treated as current; and
- No current liabilities were rolled forward to a term longer than 12 months and treated as long term.

33. Interests in companies and other entities

During 2011/12 SPT acquired 49% of the ordinary shares in Nevis Technologies Limited, a company registered in Scotland, at a cost of £4,999. Nevis Technologies Limited is a joint venture between SPT and Ecebs Limited for the provision of a smartcard ticketing and payment service. This interest is recorded as a long-term investment at cost. Details of the transactions between SPT and Nevis Technologies can be found in Note 16, Related Party Transactions on page 42.

Group financial statements have not been prepared on the grounds of materiality.

Remuneration Report

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

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

Total Remuneration 2015/16 £		Salary, Fees and Allowances £	Total Remuneration 2016/17 £
140,434	Gordon Maclennan: Chief Executive	141,851	141,851
119,371	Valerie Davidson: Assistant Chief Executive (Business Support)	120,574	120,574
119,371	Eric Stewart: Assistant Chief Executive (Operations)	120,574	120,574
379,176	**Total**	**382,999**	**382,999**

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

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

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

Total Remuneration 2015/16 £		Salary, Fees and Allowances £	Total Remuneration 2016/17 £
12,825	James Coleman, Chair to 01/11/2015	0	0
5,728	Jonathan Findlay, Chair from 11/12/2015	21,052	21,052
11,467	Denis McKenna, Vice Chair	11,580	11,580
11,467	Kaye Harmon, Vice Chair	11,580	11,580
41,487	**Total**	**44,212**	**44,212**

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.

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Remuneration paid to Councillors

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

2015/16 £000		2016/17 £000
0	Salaries	0
41	Allowances	44
3	Expenses	1
44	Total	45

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

The pension entitlements of senior employees for the year to 31 March 2016 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 2016 £	Year to 31 March 2017 £		Year to 31 March 2016 £	Year to 31 March 2017 £
Gordon Maclennan: Chief Executive (1)	27,104	27,377	Pension	21,290	24,444
			Lump Sum	12,983	13,113
Valerie Davidson: Assistant Chief Executive (Business Support) (2)	23,039	23,271	Pension	46,632	49,573
			Lump Sum	96,639	97,605
Eric Stewart: Assistant Chief Executive (Operations) (3)	23,039	23,271	Pension	21,612	24,302
			Lump Sum	21,579	21,795

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

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

(3) The pension figures shown relate to the benefits that the person has accrued from their current appointment only, but includes a transfer in from another scheme.

Remuneration of councillors in SPT is not pensionable.

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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 tiers for 2016-17 have stayed the same as they were for 2015-16. Tiers are as follows: Whole time pay	Contribution rate 2016/17	Contribution rate 2015/16
On earnings up to and including £20,500	5.5%	
On earnings above £20,500 and up to £25,000	7.25%	
On earnings above £25,000 and up to £34,400	8.5%	
On earnings above £34,400 and up to £45,800	9.5%	
On earnings above £45,800	12%	
On earnings up to and including £20,500		5.5%
On earnings above £20,500 and up to £25,000		7.25%
On earnings above £25,000 and up to £34,400		8.5%
On earnings above £34,400 and up to £45,800		9.5%
On earnings above £45,800		12%

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

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for 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.

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

Remuneration band		2015/16 Number of employees	2016/17 Number of employees
£50,000	- £54,999	12	9 (1)
£55,000	- £59,999	8 (1)	8
£60,000	- £64,999	10 (2)	6
£65,000	- £69,999	3	7
£70,000	- £74,999	1 (1)	1
£75,000	- £79,999	1	1 (1)
£80,000	- £84,999	0	1
£85,000	- £89,999	2	1
£90,000	- £94,999	0	0
£95,000	- £99,999	1	1
£100,000	- £104,999	0	0
£105,000	- £109,999	0	0
£110,000	- £114,999	0	0
£115,000	- £119,999	2	0
£120,000	- £124,999	0	2
£125,000	- £129,999	0	0
£130,000	- £134,999	0	0
£135,000	- £139,999	0	0
£140,000	- £144,999	1	1
£145,000	- £149,999	0	0

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

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Exit Packages

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

Exit package cost band	2015/16 Number of compulsory redundancies	2015/16 Number of other departures	2016/17 Number of compulsory redundancies	2016/17 Number of other departures	2015/16 Total number of exit packages by cost band	2016/17 Total number of exit packages by cost band	2015/16 Total cost of exit packages £000	2016/17 Total cost of exit packages £000
£0 - £20,000	0	2	1	4	2	5	25	52
£20,001 - £40,000	0	2	1	2	2	3	59	83
£40,001 - £60,000	0	3	0	0	3	0	141	0
£60,001 - £80,000	0	1	0	2	1	2	65	132
£80,001 - £100,000	0	0	1	0	0	1	0	99
£100,001 - £150,000	0	0	2	0	0	2	0	219
£150,001 - £200,000	0	0	0	0	0	0	0	0
Total	0	8	5	8	8	13	290	585

Martin Bartos
Chair
xx xxxx 2017

Gordon Maclennan
Chief Executive
xx xxxx 2017

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