



## Audited Financial Statements 2011/12

### 1 Introduction

- 1.1 The purpose of this report is to present the audited financial statements for the year ended 31st March, 2012. A copy of the audited accounts is attached to this report.

### 2 Main Report

- 2.1 Audit Scotland, the Partnership's auditor, has concluded the audit of the financial statements for the year ended 31<sup>st</sup> March 2012. There are no qualifications to the audit certificate which appears on pages 46 and 47 of the accounts. The Auditor's opinion states that the financial statements present a true and fair view of the financial position of the Partnership as at 31st March 2012 and its income and expenditure for the year then ended.
- 2.2. The Explanatory Foreword by the Treasurer on pages 7 to 9 of the accounts highlights key aspects of financial performance during the year.
- 2.3. The Audit Scotland report to Members on the 2011/12 audit is considered separately on the agenda of this meeting.

### 3 Recommendations

- 3.1 It is recommended that the Board considers the audited accounts and the Auditor's opinion in the audit certificate to the accounts.

**Hugh Dunn**  
Treasurer  
28th September 2012

---

**Appendices**      Audited Financial Statements 2011/12

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

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

**Audited  
Financial Statements**

**2011/2012**

**CONTENTS**

	<u>Page</u>
Annual Governance Statement	2-4
Remuneration Report	5-6
Explanatory Foreword by Treasurer	7-9
Statement of Responsibilities for the Financial Statements	10
 <u>Accounting Statements and Notes to the Financial Statements:</u>	
Financial Statements;	
1. <i>Movement in Reserves for the year ended 31st March 2012</i>	11
2. <i>Comprehensive Income &amp; Expenditure Statement for the year ended 31st March 2012</i>	12
3. <i>Balance Sheet as at 31st March 2012</i>	13
4. <i>Cash Flow Statement for the year ended 31st March 2012</i>	14
Statement of Accounting Policies	15-19
Notes to the Financial Statements	20-45
Independent Auditors Report	46-47

## ANNUAL GOVERNANCE STATEMENT 2011/12

### 1. Scope of Responsibility

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

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

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

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

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

### 2. The Partnership's Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Partnership is directed and controlled, and its activities through which it accounts to, engages with and influences the community. It enables the Partnership to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The framework reflects the arrangements in place to meet the six supporting principles of effective corporate governance.

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

A significant part of the governance framework is the system of internal control which is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Partnership's policies, aims and objectives. These are defined in the Partnership's Business Plan, which is updated annually. This will enable the Partnership to manage its key risks efficiently, effectively, economically and ethically. While the system of internal control is designed to manage risk at a reasonable level it cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness.

## ANNUAL GOVERNANCE STATEMENT 2011/12 (contd.)

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

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

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

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

### 4. Review of Effectiveness

The Partnership, which uses some of the City of Edinburgh Council's financial control systems, has put in place arrangements, detailed in the Local Code, for monitoring each element of the framework and providing evidence of compliance. A Principal Officer within the Partnership has been nominated to review the effectiveness of the Local Code and will report annually to the Partnership Board.

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

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

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

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

# The South East of Scotland Transport Partnership (SESTRAN)

## ANNUAL GOVERNANCE STATEMENT 2011/12 (contd.)

### 4. Review of Effectiveness (continued)

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

### 5. Certification

In compliance with accounting practice, the Treasurer has provided the Partnership Director with a statement on the adequacy and effectiveness of the Partnership's internal financial control system for the year ended 31<sup>st</sup> March 2012. It is the Treasurer's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Partnership's internal control system.

During the year, the Chief Internal Auditor reviewed changes to the current corporate governance arrangements and systems of internal control and his findings are included in the Chief Internal Auditor's Annual Report.

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

Chair of Partnership  
Board:

RUSSELL IMRIE

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

Partnership Director:

ALEX MACAULAY

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

Treasurer:

HUGH DUNN, CPFA

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

# The South East of Scotland Transport Partnership (SESTRAN)

## REMUNERATION REPORT

### 1. Remuneration Policy for Senior Employees

The Partnership's Board determines initial remuneration for the senior employees with reference to the level of responsibility of the post. The Partnership does not operate a Remuneration Committee. Annual inflationary increases are based on those agreed by the Scottish Joint Negotiating Committee for Chief Officials of Local Authorities (Scotland).

### 2. Remuneration for Senior Councillors

The Partnership does not provide any remuneration to senior councillors. Expenses paid to Board members are detailed in note 19 to the financial statements.

### 3. Management of Remuneration Arrangements

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

### 4. Officers Remuneration

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

Remuneration Bands	2011/12	2010/11
£50,000 - £54,999	1	1
£80,000 - £84,999	0	0
£85,000 - £89,999	1	1

### 5. Senior Employees Remuneration

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

Name and Post Title	Salary, Fees and Allowances	Total Remuneration	Total Remuneration
	£'000	2011/12 £'000	2010/11 £'000
Alex Macaulay - Partnership Director	87	87	87
	87	87	87

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

### 6. Senior Employees Pension Entitlement

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

Name and Post Title	In-year pension contributions		Accrued pension benefits	
	2011/12 £'000	2010/11 £'000	As at 31 March 2012 £'000	Difference from 31 March 2011 £'000
Alex Macaulay - Partnership Director	20	18	Pension 6	1
			Lump Sum 8	0
	20	18	14	1

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

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

### REMUNERATION REPORT (contd.)

---

#### 6. Senior Employees Pension Entitlement (cont'd.)

THE LGPS is a final salary pension scheme.

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

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

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

The tiers and members contributions rates for 2011-12 are as follows:

On earnings up to and including £18,500 (5.5%), on earnings above £18,500 and up to £22,600 (7.25%), on earnings above £22,600 and up to £30,900 (8.5%), on earnings above £30,900 and up to £41,200 (9.5%) and on earnings above £41,200 (12%).

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

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

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

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

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

Chair of Partnership  
Board:

RUSSELL IMRIE

\_\_\_\_\_

Date signed:

\_\_\_\_\_

Partnership Director:

ALEX MACAULAY

\_\_\_\_\_

Date signed:

\_\_\_\_\_



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

### EXPLANATORY FOREWORD BY THE TREASURER

#### Introduction

The audited Statement of Accounts presents the financial position and performance of the Partnership for the year to 31 March 2012. This foreword describes briefly the nature and purpose of each of the statements which follow and the principal items of interest or note, which are contained within the accounts.

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

The constituent councils of SESTRAN are the City of Edinburgh, Clackmannanshire, East Lothian, Falkirk, Fife, Midlothian, Scottish Borders and West Lothian. In 2011/12 the Partnership delivered an approved programme of revenue projects.

#### Preparation of Accounts

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

The Financial Statements comprise the following statements, together with accompanying explanatory notes:

- **Annual Governance Statement**

This sets out the framework and arrangements for governance of the Partnership's affairs, including the management of risk.

- **Remuneration Report**

The Local Authority Accounts (Scotland) Amendment Regulations 2011 require Regional Transport Partnerships to include a Remuneration Report in the Financial Statements. The Remuneration Report discloses information for each senior employee.

- **Statement of Responsibilities for the Statement of Accounts**

This statement sets out the respective responsibilities of the Partnership and the Treasurer for the accounts.

- **Movement in Reserves Statement**

This statement shows the movement in the year on different reserves held by the Partnership. This is analysed into "Usable Reserves" (that is, those that can be applied to fund expenditure) and "Unusable Reserves". The Partnership does not have statutory powers to operate a usable reserve.

- **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

- **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Partnership. The net assets of the Partnership (assets less liabilities) are matched by reserves held by the Partnership.

- **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Partnership during the reporting period. The statement shows how the Partnership generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

- **Statement of Accounting Policies**

The Statement of Accounting Policies explains the basis for the recognition, measurement and disclosure of transactions and other events shown in the Financial Statements. Some of the Partnership's accounting policies have been amended to reflect the changes made under IFRS.

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

### EXPLANATORY FOREWORD BY THE TREASURER (contd.)

#### Revenue Budget Performance

The Partnership is required to present its financial performance as a Comprehensive Income and Expenditure Statement. This can be seen on page 12. However, to show the net position of the Partnership and to allow comparison with the approved revenue budget, it is necessary to adjust the expenditure shown in the Comprehensive Income and Expenditure Statement to take account of a number of items where the statutory accounting requirements differ from the management accounting practice of the Partnership. These adjustments are detailed in Note 20.

The approved Revenue budget of the Partnership in 2011/12 was £1.471m. A comparison of the outturn position with the revised budget is summarised below:

	<b>Revised Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Core Service	470	498	28
Revenue Projects	891	778	(113)
Capital Project	110	1,331	1,221
<b>Total Expenditure 2011/12</b>	<b>1,471</b>	<b>2,607</b>	<b>1,136</b>
Interest Receivable	(3)	(2)	1
Government Grant	(782)	(782)	0
Constituent Council Requisitions	(225)	(225)	0
Other Income - Revenue Projects	(461)	(443)	18
Other Income - Capital Project	0	(1,155)	(1,155)
<b>Total Income 2011/12</b>	<b>(1,471)</b>	<b>(2,607)</b>	<b>(1,136)</b>

The Partnership incurred core service expenditure of £0.498m which was £28,000 above the revised Core Service revenue budget, mainly as a result of a shortfall in staff costs re-charged to EU projects. In addition, interest received by the Partnership was £1,000 below budget.

The Partnership incurred net expenditure of £0.335m on the revenue projects which was £95,000 under budget. This underspend comprised of reduced net expenditure of £34,000 on the EU projects and £61,000 on other projects.

The Partnership also incurred expenditure of £1,331,000 on the RTPI capital project, funded principally by the use of balances (see below).

Overall the Partnership realised a break even position against the budget in 2011/12.

The Partnership had carried forward a balance of £49,000 from 2006/07, £230,000 from 2007/08, £39,000 from 2008/09 and £1,000 from 2009/10, less a drawdown in 2010/11 of £17,000. These balances were held as a commitment towards a project approved by the Partnership Board on 19th June 2009 to develop regional real-time bus passenger travel information (RTPI). In addition, the Partnership had carried forward a balance of £100,000 in respect of an underspend from 2007/08 on the Kirknewton level crossing project. The Partnership Board approved on 8th April 2011 that this balance also be held as a commitment towards the RTPI project. During 2011/12, the Partnership used all of the above carried forward funding towards the project. On 20th March 2012, the Partnership also received £420,000 from West Lothian Council for the RTPI project. The Partnership used £130,000 of this funding leaving a balance of £290,000 available for the project as at 31st March 2012.

#### Material New Assets

The Partnership spent £1,305,000 on 'assets under construction' in 2011/12 towards developing the regional real-time bus passenger travel information system.

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

### EXPLANATORY FOREWORD BY THE TREASURER (contd.)

#### IAS 19 - Retirement Benefits

International Accounting Standard (IAS) 19 is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, rather than when payment actually falls due.

Net cost of services in the Comprehensive Income and Expenditure Statement therefore includes an appropriate amount for the retirement benefits the Partnership has committed to pay, while the effect on the amount to be met from government grant and constituent council requisitions has been offset by the inclusion of pensions interest costs and a transfer to the pensions reserve.

#### Net Pension Asset/ Liability

The net pension liability, shown in note 25.4 to the Financial Statements, in accordance with the requirements of IAS 19 (Retirement Benefits), amounts to £226,000. The triennial valuation as at 31 March 2011 considered the appropriate employer's contribution rates and this, together with revenues generated from investments, will be utilised to meet the fund's commitments.

#### Financial Instruments

The Code of Practice on Local Authority Accounting stipulates that information required by IAS 32 Financial Instruments: Presentation; IAS 39 Financial Instruments: Recognition and measurement; and FRS 7 Financial Instruments: Disclosures; be disclosed by way of a note in the financial statements.

This information is contained in note 12 which details the make up of financial instruments, the key risks which the Partnership is exposed to in the management of its financial instruments, and how those risks are managed.

#### Significant Provisions

The Partnership Board approved on 2nd March 2012 that any underspend on the 2011/12 Revenue budget be used as a commitment towards developing the regional real-time bus passenger travel information. Therefore the Partnership has made a provision of £26,000 in respect of future costs of the regional real-time bus passenger travel information project.

#### Material Events After the Reporting Date

Following the local government elections on 3rd May 2012, there have been changes in the administrations of partner local authorities. This will result in changes in the elected member representation on the Partnership's Board. Continuity of the Partnership's business will be provided by the non elected Board members who will have an important role in this time of change.

#### Planned Future Service Delivery

On 2nd March 2012, the Partnership's Board agreed a revenue budget for 2012/13, which made provision for £0.449m of core service costs and £0.876m of project expenditure in support of Regional Transport Strategy projects. The budget estimates £0.343m of external funding will be available for projects, of which £0.245m is for EU funded projects. It is therefore appropriate to adopt a going concern basis for the preparation of the financial statements.

#### Current Economic Climate

In recognition of the current financial constraints faced by public sector organisations, the 2012-13 budget makes provision for a 11% reduction in constituent council requisitions. Council and Scottish Government funding is confirmed for a period of one year. The Partnership is working towards identifying further cashable efficiency savings for 2013-14.

Treasurer: HUGH DUNN, CPFA

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



# The South East of Scotland Transport Partnership (SESTRAN)

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Partnership's Responsibilities

The Partnership is required:

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

### The Treasurer's Responsibilities

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

In preparing this statement of accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice, except where stated in the Policies and Notes to the Accounts.

The Treasurer has also:

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

### Statement of Accounts

The Statement of Accounts presents a true and fair view of the financial position of the Partnership as at 31st March 2012, and its income and expenditure for the year ended 31st March 2012.

Treasurer: HUGH DUNN, CPFA

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

**MOVEMENT IN RESERVES STATEMENT**

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

**2010/11 - Previous Year Comparative**

① Opening Balances at 1 April 2010

② Movement in reserves during 2010/11

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

**Total Comprehensive Expenditure and Income**

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

**Net increase/decrease before transfers to Earmarked Reserves**

④ Transfers to/from Earmarked Reserves

**Increase/Decrease in 2010/11**

**Balance at 31 March 2011 carried forward**

	Usable Reserves		Unusable Reserves	Total Partnership Reserves
	General Fund Balance	Total Usable Reserves		
	£'000	£'000	£'000	£'000
① Opening Balances at 1 April 2010	0	0	207	207
② Movement in reserves during 2010/11				
(Surplus) or Deficit on Provision of Services	(347)	(347)	0	(347)
Other Comprehensive Expenditure and Income	0	0	(126)	(126)
<b>Total Comprehensive Expenditure and Income</b>	<b>(347)</b>	<b>(347)</b>	<b>(126)</b>	<b>(473)</b>
③ Adjustments between accounting basis & funding basis under regulations (Note 6)	347	347	(347)	0
<b>Net increase/decrease before transfers to Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>(473)</b>	<b>(473)</b>
④ Transfers to/from Earmarked Reserves	0	0	0	0
<b>Increase/Decrease in 2010/11</b>	<b>0</b>	<b>0</b>	<b>(473)</b>	<b>(473)</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>0</b>	<b>0</b>	<b>(266)</b>	<b>(266)</b>

**2011/12 - Current Financial Year**

① Opening Balances at 1 April 2011

② Movement in reserves during 2011/12

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

**Total Comprehensive Expenditure and Income**

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

**Net increase/decrease before transfers to Earmarked Reserves**

④ Transfers to/from Earmarked Reserves

**Increase/Decrease in 2011/12**

**Balance at 31 March 2012 carried forward**

	Usable Reserves		Unusable Reserves	Total Partnership Reserves
	General Fund Balance	Total Usable Reserves		
	£'000	£'000	£'000	£'000
① Opening Balances at 1 April 2011	0	0	(266)	(266)
② Movement in reserves during 2011/12				
(Surplus) or Deficit on Provision of Services	(1,284)	(1,284)	0	(1,284)
Other Comprehensive Expenditure and Income	0	0	194	194
<b>Total Comprehensive Expenditure and Income</b>	<b>(1,284)</b>	<b>(1,284)</b>	<b>194</b>	<b>(1,090)</b>
③ Adjustments between accounting basis & funding basis under regulations (Note 6)	1,284	1,284	(1,284)	0
<b>Net increase/decrease before transfers to Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>(1,090)</b>	<b>(1,090)</b>
④ Transfers to/from Earmarked Reserves	0	0	0	0
<b>Increase/Decrease in 2011/12</b>	<b>0</b>	<b>0</b>	<b>(1,090)</b>	<b>(1,090)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>0</b>	<b>0</b>	<b>(1,356)</b>	<b>(1,356)</b>

# The South East of Scotland Transport Partnership (SESTRAN)

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2011/12

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

2010/11				2011/12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Services	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,183	-223	960	Highways and Transport Services	1,467	-1,755	(288)
27	0	27	Corporate and Democratic Core	25	0	25
0	-106	(106)	Non Distributed (Gains) / Costs	0	0	0
<b>1,210</b>	<b>(329)</b>	<b>881</b>	<b>Cost Of Services</b>	<b>1,492</b>	<b>(1,755)</b>	<b>(263)</b>
0	0	0	Other Operating Expenditure	0	0	0
63	-71	(8)	Financing & Investment Income (Note 8)	60	-74	(14)
0	-1,220	(1,220)	Taxation and Non-Specific Grant Income (Note 9)	0	-1,007	(1,007)
<b>1,273</b>	<b>(1,620)</b>	<b>(347)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>1,552</b>	<b>(2,836)</b>	<b>(1,284)</b>
			<b>Other Comprehensive Income and Expenditure</b>			
0	(126)	(126)	Actuarial (gains) / losses on pension assets / liabilities	0	194	194
<b>0</b>	<b>(126)</b>	<b>(126)</b>	<b>Total Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>194</b>	<b>194</b>
<b>1,273</b>	<b>(1,746)</b>	<b>(473)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>1,552</b>	<b>(2,642)</b>	<b>(1,090)</b>

# The South East of Scotland Transport Partnership (SESTRAN)

## BALANCE SHEET

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

31 March 2011 £'000		Notes	31 March 2012 £'000
320	Property, plant and equipment	10.1	1,584
8	Intangible assets	11	4
<b>328</b>	<b>Long term assets</b>		<b>1,588</b>
164	Short-term debtors	13	941
1113	Cash and cash equivalents	14	1,207
<b>1,277</b>	<b>Current assets</b>		<b>2,148</b>
-1,263	Short-term creditors	15	(2,154)
-20	Provisions	16	0
<b>(1,283)</b>	<b>Current liabilities</b>		<b>(2,154)</b>
-56	Other long-term liabilities (Pensions)	18.2	(226)
<b>(56)</b>	<b>Long-term liabilities</b>		<b>(226)</b>
<b>266</b>	<b>Net assets/ (liabilities)</b>		<b>1,356</b>
	<b>Financed by:</b>		
0	Usable reserves	17	0
-266	Unusable reserves	18	(1,356)
<b>(266)</b>	<b>Total reserves</b>		<b>(1,356)</b>

The unaudited financial statements were issued on 29th June 2012 by the former Treasurer to the Board, Karen Kelly.  
The audited financial statements were authorised for issue by the Treasurer to the Board, Hugh Dunn on 28th September 2012.

Treasurer: HUGH DUNN, CPFA

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



# The South East of Scotland Transport Partnership (SESTRAN)

## CASH FLOW STATEMENT

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

31 March 2011 £'000	31 March 2011 £'000		31 March 2012 £'000	31 March 2012 £'000
		<b>OPERATING ACTIVITIES</b>		
(1,026)		Government Grants	(223)	
(300)		Constituent Council Requisitions	44	
(5)		Interest received	(3)	
(326)		Other receipts from operating activities	(1,819)	
	(1,657)	<b>Cash inflows generated from operating activities</b>		<b>(2,001)</b>
341		Cash paid to and on behalf of employees	372	
1,154		Cash paid to suppliers of goods and services	230	
	1,495	<b>Cash outflows generated from operating activities</b>		<b>602</b>
	(162)	<b>Net cash flows from operating activities</b>		<b>(1,399)</b>
		<b>INVESTING ACTIVITIES</b>		
277		Purchase of property, plant and equipment	1,305	
	277	<b>Net cash flows from investing activities</b>		<b>1,305</b>
		<b>FINANCING ACTIVITIES</b>		
(277)		Other receipts from financing activities	0	
	(277)	<b>Net cash flows from financing activities</b>		<b>0</b>
	(162)	<b>Net( increase)/ decrease in cash and cash equivalents (Note 14)</b>		<b>(94)</b>
	951	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>1,113</b>
	1,113	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>1,207</b>

# The South East of Scotland Transport Partnership (SESTRAN)

## 1. STATEMENT OF ACCOUNTING POLICIES

---

### 1.1 Accounting Policies

The Statement of Accounts summarises the Partnership's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Partnership is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and CIPFA's Service Reporting Code of Practice 2011/12 (SERCOP), supported by International Financial Reporting Standards (IFRS).

The financial statements have been prepared on an historic cost basis.

### 1.2 Accruals of Expenditure and Income

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

### 1.3 Operating Leases

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

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

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

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

### 1.4 Overheads

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

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

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

# The South East of Scotland Transport Partnership (SESTRAN)

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

---

### 1.6 Employee Benefits

#### Pensions

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

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

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

Pension assets have been valued at bid value (purchase price), as required under IAS19. Under pension regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund.

#### Accruals of Holiday Leave

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

### 1.7 Non Current Assets

#### a) *Intangible Assets*

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

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

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

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

#### Recognition:

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

# The South East of Scotland Transport Partnership (SESTRAN)

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

---

### 1.7 Non Current Assets (contd)

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

##### **Depreciation:**

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

##### **Measurement:**

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

### 1.8 Government Grants and Other Contributions

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

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

### 1.9 Provisions

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

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

### 1.10 Reserves

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

The Partnership operates the following unusable reserves:

#### a) *Pension Reserve*

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

# The South East of Scotland Transport Partnership (SESTRAN)

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

---

### 1.10 Reserves (contd)

#### *b) Capital Adjustment Account*

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

#### *c) Accumulated Absences Account*

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

### 1.11 Financial Instruments

#### *Financial Assets*

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

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

### 1.12 Cash and Cash Equivalents

Cash and cash equivalents include:

- Credit and debit funds held in banks

### 1.13 Contingent Liabilities

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

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

### 1.14 Value Added Tax

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

# The South East of Scotland Transport Partnership (SESTRAN)

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

---

### 1.15 Events After the Reporting Period

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

Two types of events can be identified:

- i) those that provide evidence of conditions that existed at the end of the reporting period - the Financial Statements are adjusted to reflect such events;
- ii) those that are indicative of conditions that arose after the reporting period - the Financial Statements are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

### 1.16 Short term Debtors and short term Creditors

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

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

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

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

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

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

---

Amendments have been made to IFRS7 - Financial Instruments: Disclosures (transfers of financial assets). These were issued in October 2010 and are intended to assist users of financial statements evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Council's financial position.

The Partnership is not aware of any transfers that are covered by the change to IFRS7.



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

### 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

---

In applying the accounting policies set out in Note 1, the Partnership has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

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

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

---

The Statement of Accounts contains estimated figures that are based on assumptions made by the Partnership about the future or events that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Partnership's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forth coming financial year are:

#### 4.1 Pension Liabilities

##### *Uncertainties*

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Partnership with expert advice about the assumptions to be applied.

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

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

For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £125,000.

However, the assumptions interact in complex ways. During 2011/12, the Partnership's actuaries advised that the net pensions liability had increased by £170,000 as a result of lower than expected returns on investment and due to stronger financial assumptions being used by the Partnership's actuaries.

### 5. EVENTS AFTER THE BALANCE SHEET DATE

---

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 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There was a change in the Partnership's Treasurer during July 2012 whereby Hugh Dunn, CPFA replaced Karen Kelly, CPFA.

There were no events which took place after 31st March 2012 which would materially affect the 2011/12 financial statements.



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

**6. ASSUMPTIONS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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

2011/12	Usable Reserves	Unusable Reserves			
	General Fund Balance	Capital Adjustment Account	Accumulated Absence Account	Pension Reserve	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Charges for depreciation and impairment of non-current assets	(41)	41			41
Amortisation of intangible assets	(4)	4			4
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Contributions credited to the CIES that have been applied to capital financing	1,305	(1,305)			(1,305)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	(38)			38	38
Employer's pension contributions and direct payments to pensioners payable in the year	62			(62)	(62)
<b>Total Adjustments</b>	<b>1,284</b>	<b>(1,260)</b>	<b>0</b>	<b>(24)</b>	<b>(1,284)</b>

**6. ASSUMPTIONS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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

2010/11	Usable Reserves	Unusable Reserves			
	General Fund Balance	Capital Adjustment Account	Accumulated Absence Account	Pension Reserve	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Charges for depreciation and impairment of non-current assets	(41)	41			41
Amortisation of intangible assets	(4)	4			4
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>					
Contributions credited to the CIES that have been applied to capital financing	277	(277)			(277)
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	56			(56)	(56)
Employer's pension contributions and direct payments to pensioners payable in the year	57			(57)	(57)
<b>Adjustments primarily involving the Accumulated Absence Account</b>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2		(2)		(2)
<b>Total Adjustments</b>	<b>347</b>	<b>(232)</b>	<b>(2)</b>	<b>(113)</b>	<b>(347)</b>

**7. TRANSFERS TO/FROM EARMARKED RESERVES**

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

# The South East of Scotland Transport Partnership (SESTRAN)

## 8. FINANCING AND INVESTMENT INCOME

---

	2011/12 £'000	2010/11 £'000
Pensions interest cost and expected return on pensions assets	-12	-5
Interest receivable and similar income	-2	-3
	<hr/> -14	<hr/> -8

## 9. TAXATION AND NON SPECIFIC GRANT INCOMES

---

	2011/12 £'000	2010/11 £'000
Government Grant	-782	-920
Constituent Council Requisitions	-225	-300
	<hr/> -1,007	<hr/> -1,220

# The South East of Scotland Transport Partnership (SESTRAN)

## 10. PROPERTY, PLANT AND EQUIPMENT

### 10.1 Movements on balances:

#### Movements in 2011/12

Cost or Valuation	Vehicles Plant and Equipment £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
At 1st April 2011	199	277	476
Additions	0	1,305	1,305
Revaluation increases/(decreases) recognised in Revaluation Reserve	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0
Other movements	0	0	0
At 31st March 2012	199	1,582	1,781
<b>Accumulated Depreciation</b>			
At 1st April 2011	(156)	0	(156)
Depreciation charge	(41)	0	(41)
Depreciation written out to Revaluation Reserve	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0
Derecognition - disposals	0	0	0
Other movements in depreciation	0	0	0
At 31st March 2012	(197)	0	(197)
<b>Net Book Value</b>			
· at 31st March 2012	2	1,582	1,584
· at 31st March 2011	43	277	320

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

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

#### 10.2 Movements on balances:

##### Comparative Movements in 2010/11

Cost or Valuation	Vehicles Plant and Equipment £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
At 1st April 2010	199	0	199
Additions	0	277	277
Revaluation increases/(decreases) recognised in Revaluation Reserve	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0
Other movements	0	0	0
At 31st March 2011	<u>199</u>	<u>277</u>	<u>476</u>
<b>Accumulated Depreciation</b>			
At 1st April 2010	(115)	0	(115)
Depreciation charge	(41)	0	(41)
Depreciation written out to Revaluation Reserve	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0
Derecognition - disposals	0	0	0
Other movements in depreciation	0	0	0
At 31st March 2011	<u>(156)</u>	<u>0</u>	<u>(156)</u>

#### 10.3 Depreciation

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

- Vehicles, plant and equipment - 4 - 5 years

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

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

#### 10.4 Capital Commitments

The Partnership has entered into a contract to install real time bus passenger information systems across the South East of Scotland region.

The contract is due to be completed in 2014/15 and the total value of this contract amounts to £3.3m, of which £2.9m is anticipated to relate to capital expenditure.

However the contract may be extended if the Partnership is successful in bids for additional funding.

#### 10.5 Heritage Assets

The Partnership does not have any heritage assets.

### 11. INTANGIBLE ASSETS

The Partnership accounts for its software as intangible assets, to the extent that 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 licences 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 the Partnership. The useful lives assigned to the major software suites used by the Partnership are:

5 years: Risk Management System - Magique

The carrying amount of intangible assets is amortised on a straight-line basis and charged to the Comprehensive Income and Expenditure Account.

The movement on Intangible Assets during the year is as follows:

	2011/12 £'000	2010/11 £'000
Balance at start of year:		
· Gross carrying amounts	20	20
· Accumulated amortisation	(12)	(8)
<b>Net carrying amount at start of year</b>	<b>8</b>	<b>12</b>
Additions	0	0
Amortisation for the period	(4)	(4)
<b>Net carrying amount at end of year</b>	<b>4</b>	<b>8</b>
Comprising:		
· Gross carrying amounts	20	20
· Accumulated amortisation	(16)	(12)
	<b>4</b>	<b>8</b>

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

### 12. FINANCIAL INSTRUMENTS

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

	Long-term		Current	
	31st March 2012 £'000	31st March 2011 £'000	31st March 2012 £'000	31st March 2011 £'000
<b>Investments</b>				
Loans and receivables	0	0	1,902	1,241
<b>Borrowings</b>				
Financial liabilities at amortised cost	0	0	1,774	763

12.2 The gains and losses recognised in the Comprehensive Income and Expenditure Account in 2011/12 in relation to financial instruments are made up as follows:

#### Income, Expenses, Gains and Losses

	Financial Liabilities measured at amortised cost 31st March 2012 £'000	Financial Assets Loans and receivables 31st March 2012 £'000	Total 31st March 2012 £'000	Financial Liabilities measured at amortised cost 31st March 2011 £'000	Financial Assets Loans and receivables 31st March 2011 £'000	Total 31st March 2011 £'000
Interest expense	0	0	0	0	0	0
Interest income	0	2	2	0	3	3
<b>Net gain/(loss) for the year</b>	0	2	2	0	3	3

12.3 Fair Values of Assets and Liabilities

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

The fair values calculated are as follows:

	31 March 2012		31 March 2011	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
<b>Financial Liabilities</b>				
Trade creditors	1,774	1,774	763	763
<b>Financial Assets</b>				
Loans and receivables	1,889	1,889	1,225	1,225
Trade debtors	13	13	16	16
	1,902	1,902	1,241	1,241

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

### 13. DEBTORS

	31st March 2012 £'000	31st March 2011 £'000
Debtors:		
Central government bodies	0	9
HM Customs and Excise - VAT	202	19
Other entities and individuals	739	136
	<b>941</b>	<b>164</b>

### 14. CASH AND CASH EQUIVALENTS

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

	31st March 2012 £'000	31st March 2011 £'000
Cash held by the Partnership	0	0
Bank accounts	1,207	1,113
	<b>1,207</b>	<b>1,113</b>

### 15. CREDITORS

	31st March 2012 £'000	31st March 2011 £'000
Central government bodies	0	(149)
Other local authorities	(380)	(352)
Other entities and individuals	(1,768)	(756)
Employee costs	(6)	(6)
	<b>(2,154)</b>	<b>(1,263)</b>



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

### 16. PROVISIONS

Cost or Valuation	Dilapidation	
	Costs £'000	Total £'000
Balance at 1st April 2011	(20)	(20)
Additional provisions made in 2011/12	0	0
Amounts used in 2011/12	20	20
Unused amounts reversed in 2011/12	0	0
Balance at 31st March 2012	0	0

### 17. USABLE RESERVES

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

### 18. UNUSABLE RESERVES

	31st March 2012 £'000	31st March 2011 £'000
18.1 Capital Adjustment Account	(1,588)	(328)
18.2 Pension Reserve	226	56
18.3 Accumulated Absence Account	6	6
	(1,356)	(266)

#### 18.1 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

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

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

### 18. UNUSABLE RESERVES (Contd.)

18.1 Capital Adjustment Account (Contd.)	2011/12 £'000	2010/11 £'000
Balance at 1st April	(328)	(96)
Reversal of items related to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
· Charges for depreciation and impairment of non-current assets	41	41
· Amortisation of intangible assets	4	4
Net written out amount of the cost of non-current assets consumed in year	(283)	(51)
Capital financing applied in the year:		
· Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,305)	(277)
Balance at 31st March	(1,588)	(328)

### 18.2 Pension Reserve

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

	2011/12 £'000	2010/11 £'000
Balance at 1st April	56	295
Actuarial losses or (gains) on pension assets and liabilities	194	(126)
Reversals of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.	38	(56)
Employer's pension contributions and direct payments to pensioners payable in the year.	(62)	(57)
Balance at 31st March	226	56

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

### 18. UNUSABLE RESERVES (Contd.)

---

#### 18.3 Accumulated Absence Account

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

	2011/12 £'000	2010/11 £'000
Balance at 1st April	6	8
Settlement or cancellation of accrual made at the end of the preceding year	(6)	(8)
Amounts accrued at the end of the current year	6	6
Balance at 31st March	<u>6</u>	<u>6</u>

### 19. MEMBERS ALLOWANCES

---

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

	2011/12 £'000	2010/11 £'000
Expenses	<u>1</u>	<u>2</u>
	<u>1</u>	<u>2</u>

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

### 20. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

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

<b>Segmental Income and Expenditure 2011/12</b>	<b>Core Service £'000</b>	<b>Projects £'000</b>	<b>Total £'000</b>
Fees, charges & other service income	0	(1,598)	(1,598)
Interest and investment income	(2)	0	(2)
Government grants	(242)	(540)	(782)
Constituent Council requisitions	(225)	0	(225)
<b>Total Income</b>	<b>(469)</b>	<b>(2,138)</b>	<b>(2,607)</b>
Employee expenses	236	0	236
Other service expenses	203	0	203
Support service recharges	59	0	59
Project costs	0	2,109	2,109
<b>Total Expenditure</b>	<b>498</b>	<b>2,109</b>	<b>2,607</b>
<b>Net Expenditure</b>	<b>29</b>	<b>(29)</b>	<b>0</b>
<b>Segmental Income and Expenditure 2010/11</b>	<b>Core Service £'000</b>	<b>Projects £'000</b>	<b>Total £'000</b>
Fees, charges & other service income	0	(174)	(174)
Interest and investment income	(3)	0	(3)
Government grants	(350)	(570)	(920)
Constituent Council requisitions	(300)	0	(300)
<b>Total Income</b>	<b>(653)</b>	<b>(744)</b>	<b>(1,397)</b>
Employee expenses	356	0	356
Other service expenses	248	0	248
Support service recharges	60	0	60
Project costs	0	733	733
<b>Total Expenditure</b>	<b>664</b>	<b>733</b>	<b>1,397</b>
<b>Net Expenditure</b>	<b>11</b>	<b>(11)</b>	<b>0</b>

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

**20. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Contd.)****Reconciliation of Segmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

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

	2011/12 £'000	2010/11 £'000
Net expenditure in the Segmental Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Segmental Analysis	(1,217)	(342)
Amounts in the Segmental Analysis not included in the Comprehensive Income and Expenditure Statement *	1,009	1,223
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>(208)</b>	<b>881</b>

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

**Reconciliation to Subjective Analysis**

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

2011/12	Segmental Analysis £'000	IFRS Gross Up £'000	Not Reported to Mgmt £'000	Not Included in CIES £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
<b>Reconciliation to Subjective Analysis</b>							
Fees, charges & other service income	(1,598)	(157)			(1,755)		(1,755)
Interest and investment income	(2)			2	0	(2)	(2)
Government grants	(782)			782	0	(782)	(782)
Constituent Council requisitions	(225)			225	0	(225)	(225)
Expected return on pensions assets					0	(72)	(72)
	(2,607)	(157)	0	1,009	(1,755)	(1,081)	(2,836)
Employee expenses	236	157			393		393
Other operating expenses	203				203		203
Support services	59				59		59
Project costs	2,109				2,109		2,109
Contributions credited to the CIES that have been applied to capital financing			(1,305)		(1,305)		(1,305)
Depreciation			100		100		100
Pensions interest cost					0	60	60
Reversal of employer pension contributions			-62		(62)		(62)
Actuarial valuation of employer pension contributions			50		50		50
	2,607	157	(1,217)	0	1,547	60	1,607
<b>Surplus or Deficit on the provision of service</b>	<b>0</b>	<b>0</b>	<b>(1,217)</b>	<b>1,009</b>	<b>(208)</b>	<b>(1,021)</b>	<b>(1,229)</b>

**20. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Contd.)**

<b>2010/11</b>	Segmental Analysis £'000	Not Reported to Mgmt £'000	Not Included in CIES £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
<b>Reconciliation to Subjective Analysis</b>						
Fees, charges & other service income	(174)			(174)		(174)
Interest and investment income	(3)		3	0	(3)	(3)
Government grants	(920)		920	0	(920)	(920)
Constituent Council requisitions	(300)		300	0	(300)	(300)
Contributions credited to the CIES that have been applied to capital financing		(277)		(277)		(277)
	(1,397)	(277)	1,223	(451)	(1,223)	(1,674)
Employee expenses	356			356		356
Other operating expenses	248			248		248
Support services	60			60		60
Project costs	733			733		733
Depreciation		41		41		41
Pensions interest cost				0	63	63
Expected return on pensions assets				0	(68)	(68)
Past Service Gains		(106)		(106)		(106)
	1,397	(65)	0	1,332	(5)	1,327
<b>Surplus or Deficit on the provision of service</b>	<b>0</b>	<b>(342)</b>	<b>1,223</b>	<b>881</b>	<b>(1,228)</b>	<b>(347)</b>

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

### 21. EXTERNAL AUDIT COSTS

The Partnership 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 the Partnership's external auditors:

	2011/12 £'000	2010/11 £'000
Fees payable in respect of:		
· external audit services carried out by the appointed auditor for the year	10	10
	10	10

### 22. GRANT INCOME

The Partnership credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

	2011/12 £'000	2010/11 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Scottish Government - Revenue Grant	-782	-920
Constituent Council Requisitions (Note 23.3)	-225	-300
	-1,007	-1,220
<b>Credited to Services</b>		
EU Grant - Dryport Project	-48	-50
EU Grant - Regional Real Time Bus Passenger Information System	-525	-75
EU Grant - Lo Pinod	-41	-5
EU Grant - I Transfer	-20	-6
EU Grant - Foodport	-49	0
EU Grant - Weastflows	-29	0
Contribution - Midlothian Council	-114	-27
Contribution - West Lothian Council	-130	0
Contribution - East Lothian Council	-39	0
	-995	-163

# The South East of Scotland Transport Partnership (SESTRAN)

## 23. RELATED PARTIES

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

### 23.1 Scottish Government

The Partnership receives grant-in-aid revenue funding through the Scottish Government. Grants received from the Scottish Government are set out in the subjective analysis in Note 22.

### 23.2 Members

Members of the Partnership have direct control over the Partnership's financial and operating policies. (The total of members' allowances paid by the Partnership in 2011-12 is shown in Note 19.)

### 23.3 Other Parties

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

	2011/12 £'000	2010/11 £'000
- Revenue Expenditure - Support Services		
City of Edinburgh Council - Financial Services	30	25
Falkirk Council - HR Services	1	1
Fife Council	23	23
	54	49
- Revenue Expenditure - Other		
Scottish Government	9	9
City of Edinburgh Council	22	42
Clackmannanshire Council	0	25
Falkirk Council	14	0
Fife Council	0	4
Midlothian Council	3	2
Scottish Borders Council	0	6
West Lothian Council	20	0
	68	88



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

### 23. RELATED PARTIES (Contd.)

#### 23.3 Other Parties (contd.)

	2011/12 £'000	2010/11 £'000
· Revenue Income - Requisitions		
Clackmannanshire Council	(8)	(10)
East Lothian Council	(14)	(19)
City of Edinburgh Council	(71)	(95)
Falkirk Council	(23)	(30)
Fife Council	(54)	(73)
Midlothian Council	(12)	(16)
Scottish Borders Council	(17)	(23)
West Lothian Council	(26)	(34)
	<u>(225)</u>	<u>(300)</u>
· Revenue Income - Interest on Revenue Balances		
City of Edinburgh Council	(2)	(3)
	<u>(2)</u>	<u>(3)</u>
· Revenue Income - Other		
Constituent Councils	(402)	(17)
East Lothian Council	(38)	0
Midlothian Council	(114)	(27)
West Lothian Council	(130)	0
	<u>(684)</u>	<u>(44)</u>

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

### 23. RELATED PARTIES (Contd.)

#### 23.4 Other Parties

The following represents amounts due to/ (from) the Partnership at 31 March 2012, with its related parties.

<b>CREDITORS</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
• Creditors - Related Parties (Revenue Grants)		
Scottish Government - revenue budget flexibility carry forward	0	(49)
Clackmannanshire Council	0	(25)
City of Edinburgh Council	0	(25)
Falkirk Council	(11)	0
Midlothian Council	0	(2)
Scottish Borders Council	0	(6)
West Lothian Council	(20)	0
	<u>(31)</u>	<u>(107)</u>
• Creditors - Related Parties (Other)		
Scottish Government - capital grant	0	(100)
City of Edinburgh Council	(25)	(24)
Fife Council	(8)	0
West Lothian Council	(290)	0
Constituent Councils	(26)	(270)
	<u>(349)</u>	<u>(394)</u>
• Creditors - Other Parties	<u>(1,774)</u>	<u>(762)</u>
Total Creditors	<u>(2,154)</u>	<u>(1,263)</u>
<b>DEBTORS</b>		
• Debtors - Related Parties (Revenue Grants)		
Scottish Government	0	9
	<u>0</u>	<u>9</u>
• Debtors - Other Parties	<u>941</u>	<u>155</u>
Total Debtors	<u>941</u>	<u>164</u>

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

### 24. LEASES

#### Operating Leases

The Partnership leases an office at Claremont House, 130 East Claremont Street, Edinburgh which the Partnership has occupied since 4th May 2011. The Partnership has the option to terminate the lease as at 29th April 2013 under no penalty if at least six months notice is given.

This lease has been accounted for as an operating lease.

The Partnership also has the use of a photocopier under a hire agreement, which has been accounted for as an operating lease. The hire agreement renewal started on 7th September 2011 and is due to expire on 6th September 2012.

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

	2011/12 £'000	2010/11 £'000
· Not later than 1 year	14	17
· Later than 1 year not later than 5 years	0	29
· Later than 5 years	0	0
	14	46

The Partnership has no other material operational leases.

### 25. DEFINED BENEFIT PENSION SCHEMES

#### 25.1 Participation in Pension Schemes

As part of the terms and conditions of employment of its staff, the Partnership makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until the employees retire, the Partnership has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. As explained in Accounting Policy 1.7, the Partnership is an admitted body to the Local Government Pension Scheme (LGPS) which is administered by the Lothian Pension Fund.

The Partnership participates in:

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

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

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

#### 25.2 Transactions Relating to Post-employment Benefits

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

	2011/12 £'000	2010/11 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services:		
· Current service costs	50	55
· Past service (gains)/ costs		(106)
Financing and Investment Income and Expenditure		
· Interest cost	60	63
· Expected return on scheme assets	(72)	(68)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of services</b>	<b>38</b>	<b>(56)</b>
Other Post Employment Benefit Charged to the CIES:		
· Actuarial (gains) and losses	194	(126)
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>194</b>	<b>(126)</b>

<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	24	113

**Actual amount charged against the General Fund Balance for pensions in the year:**

· Employers contributions payable to the scheme	62	57
	<b>62</b>	<b>57</b>

The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to 31st March 2012 is £380,000.

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

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

#### 25.3 Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2011/12 £'000	2010/11 £'000
Opening balance at 1st April	(1,064)	(1,196)
Current Service Cost	(50)	(55)
Interest cost	(60)	(63)
Contributions by scheme participants	(22)	(21)
Actuarial gains and (losses)	(131)	143
Benefits paid	27	22
Past service gains and (costs)	0	106
	<hr/>	<hr/>
Closing balance at 31st March	(1,300)	(1,064)

Reconciliation of fair value of the scheme assets:

	2011/12 £'000	2010/11 £'000
Opening balance at 1st April	1,008	901
Expected rate of return	72	68
Actuarial gains and (losses)	(63)	(17)
Employer contributions	62	57
Contributions by scheme participants	22	21
Benefits paid	(27)	(22)
	<hr/>	<hr/>
Closing balance at 31st March	1,074	1,008

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

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

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

#### 25.4 Scheme History

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
<b>Present value of liabilities:</b>					
· Local Government Pension Scheme	(803)	(774)	(1,196)	(1,064)	(1,300)
· Discretionary benefits	0	0	0	0	0
<b>Fair value of assets in the Local Government Pension Scheme</b>	<b>815</b>	<b>699</b>	<b>901</b>	<b>1,008</b>	<b>1,074</b>
<b>Surplus/(deficit) in the scheme:</b>					
· Local Government Pension Scheme	12	(75)	(295)	(56)	(226)
· Discretionary benefits	0	0	0	0	0
<b>Total</b>	<b>12</b>	<b>(75)</b>	<b>(295)</b>	<b>(56)</b>	<b>(226)</b>

The liabilities show the underlying commitments that the Partnership has in the long run to pay post employment (retirement) benefits. The total liability of £226,000 has an impact on the net worth of the Partnership as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Partnership remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (that is, before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid

The total contributions expected to be made to the Local Government Pension Scheme by the Partnership in the year to 31 March 2013 is £60,000.

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

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

#### 25.5 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years which are dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson LLP, an independent firm of actuaries and are based on the latest formal valuation of the scheme as at 31 March 2011.

The principal assumptions used by the actuary have been:

	2011/12	2010/11
Long term expected rate of return on assets in the scheme:		
· Equity investments	6.2%	7.5%
· Bonds	4.0%	4.9%
· Property	4.4%	5.5%
· Cash	3.5%	4.6%
Mortality assumptions - longevity at 65 for current pensioners:		
· Men	20.4 years	20.8 years
· Women	22.8 years	24.1 years
Mortality assumptions - longevity at 65 for future pensioners:		
· Men	22.6 years	22.3 years
· Women	25.4 years	25.7 years
Expected return on assets	5.8%	7.0%
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	5.5%
Take-up of option to convert annual pension into retirement lump sum		
Pre April 2009 service		50.0%
Post April 2009 service		75.0%
The Local Government Pension Scheme's assets consist of the following categories, by proportion of the assets held:		
· Equity investments	79%	79%
· Bonds	8%	8%
· Property	11%	10%
· Cash	2%	3%
	100%	100%

#### 25.6 History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2011-12 can be analysed into the following categories, measured as a percentage of the assets or liabilities at 31st March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
Differences between expected and actual return on assets:	(10.1%)	(34.6%)	21.1%	(1.7%)	(5.9%)
Experience gains and losses on liabilities	0.0%	(7.5%)	0.0%	0.0%	0.0%

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

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

---

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

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

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

#### ***Credit risk***

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

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

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

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

#### ***Liquidity risk***

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

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



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

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

---

#### *Refinancing risk*

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

As such, the Partnership has no refinancing risk on its liabilities.

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

#### *Market risk*

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

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

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

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

The Partnership currently has no borrowings. Changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

However, all investments currently have a maturity of less than one year and the fair value has therefore been approximated by the outstanding principal.

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

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

#### *Price risk*

The Partnership does not invest in equity shares

#### *Foreign exchange risk*

As at 31 March 2012, the Partnership had financial assets of £228,000 subject to foreign exchange risk.

The foreign exchange loss or gain on these financial assets cannot be determined until 2012/13, when the Partnership is in receipt of the related grant income from the European Regional Development Fund.

The Partnership has no financial liabilities denominated in foreign currencies.

### 27. SESTRAN Limited

---

The Partnership incorporated a wholly-owned limited company - SESTRAN Limited - on 22 January 2010.

The company has yet to commence the provision of services and there are no transactions to record for the purposes of preparing Group Accounts.

## INDEPENDENT AUDITOR'S REPORT

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

I certify that I have audited the financial statements of South East of Scotland Transport Partnership for the year ended 31 March 2012 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011/12 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

#### Respective responsibilities of the Treasurer and auditor

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

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

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

#### Opinion

In my opinion the financial statements

- give a true and fair view, in accordance with applicable law and the 2011/12 Code of the state of the affairs of the South East of Scotland Transport Partnership as at 31 March 2012 and of the income and expenditure of South East of Scotland Transport Partnership for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

## INDEPENDENT AUDITOR'S REPORT

### Opinion on other prescribed matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

I have nothing to report in respect of these matters.

Jim Rundell MA, CPFA  
Senior Audit Manager  
Audit Scotland  
7<sup>th</sup> Floor, Plaza Tower  
East Kilbride  
G74 1LW

Date: