

PERFORMANCE & AUDIT COMMITTEE

Remote Meeting via MS Office Teams
Friday 6th November 2020 – 10:00am

AGENDA

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9. DATE OF NEXT MEETING	
The provisional date of the next meeting is Friday 5th March 2021 . This date is subject to approval by the Partnership Board.	

Gavin King
Secretary to SESTRAN
Democracy, Governance and Resilience Senior Manager
Strategy & Insight Division
The City of Edinburgh Council
Waverley Court 2.1
Edinburgh
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30th October 2020

Telephone: 0131 529 4239 or E-mail: gavin.king@edinburgh.gov.uk Agendas and papers for all SEStran meetings can be accessed on www.sestran.gov.uk

**PERFORMANCE & AUDIT COMMITTEE
REMOTE MEETING VIA MS OFFICE TEAMS
ON FRIDAY 11 SEPTEMBER 2020 10:00am**

PRESENT:	<u>Name</u>	<u>Organisation Title</u>
	Councillor Imrie (Chair)	Midlothian Council
	Councillor Dempsey	Fife Council
	Councillor Fullarton	Scottish Borders Council
	Councillor Murtagh	Falkirk Council
	Councillor Rose	City of Edinburgh Council
	Callum Hay	Non-Councillor Member
	Doreen Steele	Non-Councillor Member
IN ATTENDANCE:	<u>Name</u>	<u>Organisation Title</u>
	Angela Chambers	SEStran
	Andrew Ferguson	SEStran
	Jim Grieve	SEStran
	Anne Herriman	SEStran
	Gavin King	City of Edinburgh Council
	Martin Scott	City of Edinburgh Council
	Iain Shaw	City of Edinburgh Council
	Karen Jones	Scott Moncrieff
	Gail Dick (for item C1)	HR Advisor

Action by

A1. ORDER OF BUSINESS

It was confirmed that there was no change to the order of business.

A2. APOLOGIES

Apologies were received from Councillor Horne and Simon Hindshaw

A3. DECLARATION OF INTERESTS

None.

A4. MINUTES

- 1) To approve the minute of the Performance and Audit Committee of 5 June 2020 as a correct record.
- 2) To record the Chairs thanks to Cllr Dempsey for chairing the Performance and Audit Committee of 5 June 2020.

A5. EXTERNAL AUDIT ANNUAL REPORT 2019/20 AND AUDITED

ANNUAL ACCOUNTS 2019/20

A verbal update was provided on the External Audit Annual Report 2019/20 And Audited Annual Accounts 2019/20. Members noted the following:

- The Partnership's unaudited annual accounts for 2019/20 were passed to the external auditor by the statutory deadline of 30 June.
- In accordance with relevant regulations, the unaudited annual accounts were published on the Partnership's website by 30 June 2020 and made available for public inspection from 1 July 2020 for a period of 15 working days.
- The supplementary provisions contained within the Coronavirus (Scotland) Act 2020 allow SEStran, in consultation with their external auditors, to defer reporting to those charged with governance by up to two months i.e. from the end of September until the end of November.
- The supplementary provisions reflect the additional logistical challenges of obtaining appropriate audit assurance within a remote working environment, particularly where access to supporting physical records may not be available.
- For the 2019/20 External Audit and publication of the Audited Annual Accounts, it is likely there will be a delay to the reporting of the audit outcome. Partnership Members would be kept informed of the position and revised timescales.
- As in previous years, it was planned that the audited annual accounts and auditor's report would be submitted to the Performance and Audit Committee and then presented for approval by the Partnership Board.

Decision

- 1) To note the verbal update.
- 2) To note that the audited annual accounts and auditor's report would be submitted to the rescheduled Performance and Audit Committee on 6 November 2020.

A6. DRAFT ANNUAL REPORT 2019/20

The Committee considered the draft annual report which detailed the proposed text which would form the basis of SEStran's Annual Report 2019/20.

The annual report provided an overview of SEStran's project portfolio; it highlighted the contributions that SEStran had made to the region over the last year, in line with the agreed objectives of the Regional Transport Strategy (RTS) and SEStran's annual Business

Plan.

The Committee suggested a number of changes to the Annual Report which officers agreed to reflect in the final draft. These suggestions included:

- To include a sentence on where the future lies in terms of the Partnerships involvement with European Projects.
- To include details on the reconvened Roles and Responsibilities Working Group, looking at regional governance.
- To amend the wording error in the quote from Councillor Colin Davidson under the Levenmouth Rail Link heading.
- A request should be made to Non-Councillor Members to send in a suitable photograph if they would like to appear in the publication.
- Insert a paragraph about the ongoing need to have a conversation at regional level with bus companies to try and engage them into acknowledging and understanding the challenges for people getting around.

Decision

Subject to the suggestions at the meeting being incorporated to the final version, to note the contents of the draft Annual Report 2019/20 and to note it would be presented to the Partnership Board for approval prior to publication.

(Reference – report by the Partnership Manager, submitted)

A7. PROJECTS PERFORMANCE

An update was provided on the current status and progress with SEStran's projects. Where relevant the report covered the position on COVID-19 in relation to project delivery this financial year.

Decision

To note the report.

(Reference – report by the Partnership Manager, submitted)

A8. DATE OF NEXT MEETING

Friday 6 November 2020 at 10.00am

C1 PARTNERSHIP MANAGEMENT

The Committee, in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting during

consideration of items 2, 3 and 4 of the minute for the reason that they involved the likely disclosure of exempt information as defined in Paragraphs 1 and 6 of Part 1 of Schedule 7(A) of the Act.

A report was considered in relation to the Partnership's management arrangements

Decision

Detailed in the Confidential Schedule, signed by the Chair, with reference to this minute.

(References – SEStran Performance and Audit Committee 8 March 2019 (item A11); report by the Partnership Secretary, submitted)

2019/20 Annual Audit Report to members of South East of Scotland Transport Partnership and the Controller of Audit

1. Introduction

- 1.1** The Annual Audit Report summarises the findings arising from the Partnership's 2019/20 external audit.

2. Main Report

- 2.1** The unaudited Annual Accounts were noted by the Partnership at its meeting on 19th June 2020 and submitted to the appointed external auditor – Scott-Moncrieff - by the required date of 30 June 2020. During the course of the audit, Scott-Moncrieff was rebranded as Azets. The auditor's report is therefore issued under the Azets name.
- 2.2** Schedule 6 of the Coronavirus (Scotland) Act 2020 allows a local government body to postpone publishing the audited accounts until it is reasonably practicable. The Scottish Government provided guidance on this in Finance Circular 10/2020. The guidance advises that 30 November should be considered a reasonably practicable date for publishing the audited accounts. Audit Scotland revised the deadline for auditors to submit the audited annual accounts from 30 September to 30 November 2020.
- 2.3** In discharging its work, the external auditor is required to comply with Audit Scotland's revised Code of Audit Practice and ISA260: Communications with those charged with governance.
- 2.4** An unqualified opinion has been given on the financial statements and other prescribed matters. 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 2020 and its income and expenditure for the year then ended.
- 2.5** Two adjustments were made to the unaudited annual accounts:
- an adjustment of £-15,000 was made to the net pension liability, following confirmation by the Partnership's Actuary of the adjustment required for the McLeod judgement;
 - An adjustment of £-26,362 was made for an invoice incorrectly accrued.
- 2.6** There were no unadjusted differences to the unaudited annual accounts.
- 2.7** The key messages from the audit are presented on pages 3 to 5 of the External Audit report. Action points for the Partnership to address, with management responses provided by the Partnership, including assigned responsibility and associated timescale for implementation, are shown in Appendix 2 at pages 31 to 41. Appendix 2 also summarises progress made in implementing the recommendations contained in previous years' reports.

3 Recommendations

It is recommended that the Performance and Audit Committee note:

- 3.1 the Annual Audit Report to members of South East of Scotland Transport Partnership and the Controller of Audit;
- 3.2 the Action Plan points and management responses at Appendix Two;
- 3.3 refer the Annual Audit Report to the meeting of the Partnership Board on 20th November 2020.

Hugh Dunn

Treasurer

6th November 2020

Appendix Annual Audit Report to members of South East of Scotland Transport Partnership and the Controller of Audit
Contact iain.shaw@edinburgh.gov.uk

Policy Implications	There are no policy implications arising as a result of this report.
Financial Implications	There are no financial implications arising following issue of an unqualified Audit certificate.
Equalities Implications	There are no equality implications arising as a result of this report.
Climate Change Implications	There are no climate change implications arising as a result of this report.



South East of Scotland Transport Partnership

2019/20 Annual Audit Report to members of South
East of Scotland Transport Partnership and the
Controller of Audit

November 2020



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Key messages



Annual report and accounts audit

We report within our independent auditor's report unqualified opinions on the financial statements and on other prescribed matters. There are no matters which we are required to report by exception.

We specifically updated our risk assessment and audit plan in light of the COVID-19 pandemic and recognised this as a key audit risk. Our findings as they relate to this risk are documented under each section of this report.

Our thanks go to management and staff for their assistance with our work.

Wider scope audit

As outlined in our External Audit Plan, our annual audit work in respect of our wider scope audit responsibilities was restricted to:

- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the Annual Governance Statement; and
- Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.

Our conclusions and key observations are set out below:



Governance statement

- We have reviewed the Annual Governance Statement and have concluded that it is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government Framework (2016).
- The Partnership has appropriate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in the Partnership's accounting and internal control systems throughout the period or as a result of remote working during the COVID-19 pandemic.



Financial sustainability

- Three year financial plans (commencing 2020/21) have been developed in 2019/20 and approved by the Partnership. The Partnership continues to progress and update its future financial plans, taking into account the COVID-19 pandemic, through a review of its three year planning assumptions.
- The Partnership note in the annual accounts that, as a result of the COVID-19 pandemic, through some modification to project methodologies and by making the most of available technologies to support consultation, engagement and project meetings, it has so far been possible to progress all areas of the Partnership's work.

Conclusion

This report concludes our audit for 2019/20. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK) and Ethical Standards.

Azets
November 2020

Introduction

A solid green horizontal bar spanning the width of the page.

This report is presented to those charged with governance and the Controller of Audit and concludes our audit of South East of Scotland Transport Partnership (the “Partnership”) for 2019/20.

We carried out our audit in accordance with Audit Scotland’s Code of Audit Practice. This report also fulfils the requirements of International Standards on Auditing (UK) 260:
Communication with those charged with governance.

The Partnership’s Performance and Audit Committee is designated as “those charged with governance”.

Introduction

1. This report summarises the findings from our 2019/20 audit of South East of Scotland Transport Partnership ("the Partnership").
2. We outlined the scope of our audit in our External Audit Plan, which we presented at the outset of our audit. The core elements of our work include:
 - an audit of the 2019/20 annual accounts and related matters;
 - consideration of the Partnership's arrangements against the audit dimensions within the Code of Audit Practice (Exhibit 1); and
 - any other work requested by Audit Scotland.

Exhibit 1: Audit dimensions within the Code of Audit Practice



3. The Partnership is responsible for preparing annual accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
 4. We would like to thank all management and staff for their co-operation and assistance during our audit.
- ### Confirmation of independence
5. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
 6. We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standards. In our professional judgement, the audit process is

independent, and our objectivity has not been compromised in any way.

7. We set out in Appendix 1 our assessment and confirmation of independence.

Adding value through the audit

8. All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Partnership through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Partnership promote improved standards of governance, better management and decision making and more effective use of resources.

Feedback

9. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

Openness and transparency

10. This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Annual accounts



The Partnership's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

In this section we summarise the findings from our audit of the 2019/20 annual accounts.

Annual accounts

An unqualified audit opinion on the annual accounts

The annual accounts for the year ended 31 March 2020 are due to be approved by the Partnership on 20 November 2020. Our independent auditor's report includes an unqualified opinion on the annual accounts and on other prescribed matters.

Overall conclusion

11. The annual accounts for the year ended 31 March 2020 are due to be considered by the Performance and Audit Committee on 6 November 2020 and approved by the Partnership on 20 November 2020. We intend to report within our independent auditor's report:
 - An unqualified opinion on the annual accounts; and
 - An unqualified opinion on other prescribed matters.
12. We are also satisfied that there were no matters which we are required to report by exception.

Our assessment of risks of material misstatement


13. The assessed risks of material misstatement described in the table below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual accounts is not modified with respect to any of the risks described below.

Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

Management override

In any organisation, there exists a risk that management has the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.


Noted in the 2019/20 External Audit Plan

- 
14. We have not identified any indications of management override in the year. We have reviewed the Partnership's accounting records and obtained evidence to ensure that transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

Revenue recognition

Under ISA (UK) 240- *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Partnership could adopt accounting policies or recognise revenue transactions in such a way as to lead to a material misstatement in the reported financial position.

Noted in the 2019/20 External Audit Plan


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15. At the planning stage of our audit cycle, we reported that for Scottish Government grant funding and council requisitions, the risk of revenue recognition could be rebutted due to a lack of incentive and opportunity to manipulate revenue of this nature. Our assessment of this risk has been reviewed throughout the audit and our conclusion to rebut this risk in respect of Scottish Government grant funding and council requisitions has remained appropriate.
16. For all other income streams, we have gained reasonable assurance over the completeness and occurrence of income and are satisfied that income is fairly stated in the annual accounts. To inform our conclusion, we reviewed the controls in place over revenue

accounting. We also considered the Partnership's revenue recognition policy and carried out testing to confirm that the policy was consistently applied throughout the year.

Risk of fraud in the recognition of expenditure

In 2016, the Public Audit Forum issued Practice Note 10 "*The Audit of Public Sector Financial Statements*" which applies to the audit of public sector financial statements for periods commencing after June 2016. This Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.


Noted in the 2019/20 External Audit Plan

- 
17. We have evaluated each type of expenditure transaction and documented our conclusions. We have gained reasonable assurance on the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the annual accounts. To inform our conclusion, we carried out testing to confirm that the Partnership's policy for recognising expenditure is appropriate and has been applied consistently throughout the year.

Pension assumptions

An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership date held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. There is a risk that the assumptions used are not appropriate.

Noted in the 2019/20 External Audit Plan

- 
18. We reviewed the reasonableness of those assumptions used in the calculation against other local government pension fund actuaries and other observable data, with no issues identified. In addition we reviewed the information in the actuarial report for completeness and accuracy against the published pension fund data.
19. We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 'Audit Evidence'. From this review we did not identify any items which gave us cause for concern over the suitability of the actuary.

-
20. The net pension liability within the audited annual accounts has been revised to take account of the latest reliable, available information on the 'McCloud Judgement':

McCloud judgement

21. This case relates to an employment tribunal ruling that transitional provisions impacting on a public sector final salary scheme were unlawfully age discriminatory. This was upheld in the Courts in December 2018 although the Government at that stage sought leave to appeal this judgement. In June 2019, the Supreme Court rejected the Government's request for a further appeal.
22. In July 2020, the Government released its consultation on applying the remedy to address the age discrimination inherent within the transitional protections that were adopted by the public service schemes in 2014 and 2015. The SPPA on behalf of Scottish Ministers also released a consultation document which sets out its preferred policy approach for remedying the discrimination in the Local Government Pension Scheme. The Partnership's Actuaries highlighted that the remedy consultation could have a material impact on the treatment of McCloud in the March 2020 actuarial pension valuations.
23. Estimates require to be based on the latest available, reliable information, including information that becomes available after 31 March. The issue of the consultation paper from SPPA on the McCloud judgement is an adjusting event as it provides evidence of conditions that existed as at 31 March 2020.
24. The financial effect of this pension issue is a past service gain of £15,000. As a consequence, the net pension liability of £676,000 as reported in the unaudited annual accounts is now a net pension liability of £661,000.

Goodwin tribunal

25. The Goodwin tribunal relates to a recent employment tribunal that changes the pension entitlement of male survivors in opposite sex marriages to take into account the female member's service from 6 April 1978. Previously, the male spouse survivor's entitlement was based on service accrued from 6 April 1988. The change is backdated to 5 December 2005. The change therefore affects the pension of male spouse survivors where their entitlement arose (i.e. where the female member died) on or after 5 December 2005.
26. Management instructed its Actuaries to calculate an estimated cost of the Goodwin impact on the Employer's future obligations. The Actuaries estimated that the closing obligations as at 31 March 2020 may be around 0.01% higher as a result of the Goodwin tribunal.
-

Based on this information, management assessed the impact on the Partnership's pension liability to be immaterial and no adjustment has been made in respect of the Goodwin tribunal.

Update to our initial risk assessment

27. Planning is a continuous process and our audit plans are updated during the

course of our audit to take account of developments as they arise. We have specifically updated our risk assessment and audit plan in light of COVID-19. We recognised this as a key audit risk¹.

COVID-19

The COVID-19 pandemic is presenting unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. Core areas of service delivery have been suspended or substantially reduced, systems and processes have been amended to support remote working, arrangements for governance, decision making and performance management have been adapted, and many organisations are forecasting large operating deficits due to loss of income and/or additional cost pressures. It is uncertain how long these challenges will persist.

The implications of these risks and uncertainties are under consideration by the Partnership. We continue to monitor government and relevant announcements as they pertain to the audit and have adapted our audit approach as required.

28. In response to this risk we identified potential areas where there was the risk of material misstatement to the annual accounts and/or our audit opinion. These areas included:

- Content of the annual accounts;
- Access to audit evidence; and
- Timescales/administrative processes.

disapply specified requirements for Finance Circular 5/2015 (which provides statutory guidance on the preparation of a Management Commentary).

30. The Partnership took the decision to include, where applicable to the organisation, the full disclosures in the Management Commentary.

Content of the annual accounts

29. In response to the impact of the COVID-19 pandemic, the Scottish Government issued Finance Circular 10/2020 which allows bodies to

Access to audit evidence

31. Our audit this year has been carried out remotely. As a consequence, we identified a risk that access to and provision of sufficient, appropriate

¹ A key audit risk is one which may result in a material misstatement to the financial statements or

significantly impact on our audit judgements and conclusions on the wider scope dimensions..

- audit evidence in support of our audit opinion may be impacted by the inherent nature of carrying out our audit remotely.
32. We have employed a greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.
 33. We are pleased to report we received all audit evidence requested to allow us to form our audit opinion.
 34. We received the unaudited annual accounts and supporting papers of a high standard. Our thanks go to staff at the Partnership and City of Edinburgh Council for their assistance with our work.

Timescales/Administrative processes

35. Schedule 6 of the Coronavirus (Scotland) Act 2020 allows a local government body to postpone submitting the unaudited accounts to auditors and publishing the audited accounts until it is reasonably practicable. The Scottish Government has provided guidance on this in Finance Circular 10/2020. The guidance advises that 30 November should be considered a reasonably practicable date for publishing the audited accounts.
36. Audit Scotland has revised the deadline for auditors to submit the audited annual accounts from 30 September to 30 November 2020. However, it is for local auditors to agree a timetable with each local government body with a view to completing the process as early possible while still delivering a high quality audit.

37. The annual accounts are due to be considered and approved by the Partnership on 20 November 2020; thereby meeting the revised timetable as set out above.
38. We have been working with management and City of Edinburgh Council throughout the audit to ensure that this timetable is adhered to. From an audit perspective we would however highlight that we will require consideration of subsequent events up to the date of approval of the annual accounts.

An overview of the scope of our audit

39. The scope of our audit was detailed in our External Audit Plan. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Partnership. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
40. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
41. Our standard audit approach is based on performing a review of the key financial systems in place, substantive tests and detailed analytical procedures. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork team and the results were reviewed by the audit management team. In

performing our work we have applied the concept of materiality, which is explained below.

Our application of materiality

42. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. We review our assessment of materiality throughout the audit.
43. Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.
44. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
45. Our initial assessment of materiality for the annual accounts was £14,400. This was increased upon receipt of the unaudited annual accounts to £21,550. This equates to approximately 1% of the Partnership's

2019/20 gross expenditure. We consider our updated assessment has remained appropriate throughout our audit.

	Materiality £
Overall materiality: Our assessment is made with reference to the Partnership's gross expenditure. We consider this to be the principal consideration for the users of the annual accounts when assessing the performance of the Partnership.	21,550
Performance materiality: Using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.	16,160

46. We noted within our External Audit Plan that we would report on all audit differences in excess of 5% of the overall materiality figure, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report on disclosure matters that we identify when assessing the overall presentation of the financial statements.

Audit differences

47. Two adjustments were made to the annual accounts:
 - An adjustment was made to the annual accounts in respect of the net pension liability (paragraphs 20-24); and
 - An adjustment was made for an invoice which had been accrued for twice in the annual accounts.

48. There were no unadjusted differences to the unaudited annual accounts. We identified some disclosure and presentational adjustments during our audit. These have been reflected in the final set of financial statements.

Representations

49. We have requested that a signed representation letter be presented to us at the date of signing the annual accounts. This letter is to be signed by the Treasurer on behalf of the Partnership.

Legality

50. We have planned and performed our audit recognising that non-compliance with statute or regulations may materially impact on the annual accounts. Our audit procedures included the following:
- Reviewing minutes of relevant meetings;
 - Enquiring of senior management and the Partnership's solicitors the position in relation to litigation, claims and assessments; and
 - Performing detailed testing of transactions and balances.
51. We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

Other matters identified during our audit

52. During the course of our audit we noted the following:

The Local Authority Accounts (Scotland) Regulations 2014

53. As part of our audit we reviewed the Partnership's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulations 8 to 102 as they relate to the annual accounts.
54. The Scottish Government included in its Finance Circular 10/2020 guidance on the publication and inspection of the unaudited annual accounts as a result of the COVID-19 pandemic.
55. Overall we concluded that appropriate arrangements were in place to comply with the Regulations and the guidance as set out in Finance Circular 10/2020.

Management commentary

56. The Local Authority Accounts (Scotland) Regulations 2014 require local authority bodies to include a management commentary within the annual accounts. The management commentary is intended to assist readers in understanding the annual accounts and the organisation that has prepared them.
57. As auditors we are required to read the management commentary and express an opinion as to whether it is consistent with the annual accounts. We have concluded that the management commentary is consistent with the annual accounts

² Regulations 8 to 10 relate to the preparation and publication of unaudited accounts, notice of public

right to inspect and object to the accounts and consideration and signing of the audited accounts.

and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003 (refer to paragraphs 29-30 of this report).

Annual governance statement

58. We are satisfied that the governance statement within the annual accounts is consistent with the financial statements and it has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016). We have provided further detail on our work and findings within the Wider Scope section of our report.

Remuneration report

59. Our independent auditor's report confirms that the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Reserves

60. The Transport (Scotland) Act 2019 allows Regional Transport Partnerships (RTPs) to hold reserves. The Partnership in its annual accounts now reports a general fund reserve. We have reviewed the accounting treatment associated with those reserves and concluded that it is in accordance with the relevant guidance and standards.

Going concern

61. As at 31 March 2020, the Partnership reported a net liability position of £0.173million.
62. The balance on the unusable reserves includes the net pension liability of £0.661million.

63. In the Partnership's opinion, the organisation will be able to continue for the foreseeable future. The Partnership has adequate budget to meet the ongoing employer contributions required by Lothian Pension Fund.

Systems of internal control

64. We have evaluated Partnership's key financial systems and internal financial controls to determine whether they are adequate to prevent material misstatement in the annual accounts. Our approach has included documenting key internal financial controls and performing walkthroughs to confirm they are operating as intended.
65. We did not identify any material weaknesses in the Partnership's accounting and internal control systems.

Follow up of prior year recommendations

66. As part of our audit we have followed up on the audit recommendations from prior years. Detail is included in the action plan at Appendix 2.

Prevention and detection of fraud and irregularity

67. Our audit was planned to provide a reasonable expectation of detecting material misstatement in the annual accounts resulting from fraud and irregularity. We found the Partnership's arrangements for the prevention and detection of fraud and other irregularities to be adequate and appropriate.

Qualitative aspects of accounting practices and financial reporting

68. During the course of our audit, we consider the qualitative aspects of the

financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the annual accounts. The following observations have been made:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	The accounting policies, which are disclosed in the annual accounts, are considered appropriate to the Partnership.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing of transactions or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	<p>We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts.</p> <p>Significant estimates have been made in relation to pension liabilities. We consider the estimates made, and the related disclosures, to be appropriate to the Partnership.</p> <p>We evaluated the competence, objectivity and capability of management experts in line with the requirements of ISA (UK) 500 and concluded that use of the expert is appropriate.</p>
The appropriateness of the going concern assumption	We have reviewed the financial forecasts for 2020/21. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the Partnership will continue to operate for at least 12 months from the signing date.
The potential effect on the annual accounts of any uncertainties, including significant risks and related disclosures that are required.	We have not identified any uncertainties, including any significant risk or required disclosures, which should be included in the annual accounts.

Qualitative aspect considered	Audit conclusion
The extent to which the annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From the testing performed, we identified no significant unusual transactions in the period.
Apparent misstatements in the management commentary or material inconsistencies with the accounts.	The management commentary contains no material misstatements or inconsistencies with the accounts.
Any significant annual accounts disclosures to bring to your attention.	There are no significant annual accounts disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Disagreement over any accounting treatment or annual accounts disclosure.	While disclosure and presentational adjustments were made during the audit process there was no material disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no significant difficulties encountered during the audit. Our audit this year has been carried out remotely. We have employed a greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.

Wider scope

Following consideration of the size, nature and risks of the Partnership, the application of the full wider scope audit is judged by us not to be appropriate. Our annual audit work on the wider scope has therefore been restricted to:

- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
 - Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.
-

Wider scope conclusions

Governance statement



We are satisfied that the Annual Governance Statement for the year to 31 March 2020 is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

The Partnership has appropriate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in the Partnership's accounting and internal control systems throughout the year or as a result of remote working during the COVID-19 pandemic.

Financial sustainability



Three year financial plans (commencing 2020/21) have been developed in 2019/20 and approved by the Partnership. The Partnership continues to progress and update its future financial plans, taking into account the COVID-19 pandemic, through a review of its three year planning assumptions.

The Partnership note in the annual accounts that, as a result of the COVID-19 pandemic, through some modification to project methodologies and by making the most of available technologies to support consultation, engagement and project meetings, it has so far been possible to progress all areas of the Partnership's work.

Our approach to the wider scope audit

69. Our approach to the wider scope audit (as set out in our 2019/20 External Audit Plan) builds upon our understanding of the Partnership which we developed from previous years, along with discussions with management and review of Partnership minutes and key strategy documents.
70. Our annual audit work on the wider scope is restricted to:

- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
- Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.



Annual Governance Statement

Our audit opinion considers whether the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016) and is consistent with the financial statements.

71. We are satisfied that the Annual Governance Statement for the year to 31 March 2020 is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).
72. The Treasurer has confirmed that in his opinion, reasonable assurance can be placed upon the adequacy and effectiveness of the Partnership's internal control system.
73. From our audit work performed we concluded that the Partnership has appropriate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in the Partnership's accounting and internal control systems.
74. The Partnership's internal audit function is provided by City of Edinburgh Council's internal audit service. We have taken cognisance of the work of internal audit in forming our opinion on the appropriateness of the disclosures in the Annual Governance Statement
75. With national lockdown announced on 23 March 2020, all Partnership activity moved to being delivered remotely and they have continued to operate throughout the period.
76. The March 2020 Partnership meeting was cancelled due to the pandemic to allow resource to be refocused. Decisions due to be taken at that meeting were dealt with as Items of Urgency under the provisions of the Partnership's Standing Orders.
77. Partnership meetings resumed in June 2020 and were held virtually. The September 2020 Partnership meeting was postponed however to November 2020 to better align with the revised timetable for finalising the annual accounts. The Performance and Audit Committee has continued to meet virtually throughout the period.
78. The Treasurer has reflected on the impact of COVID-19 in the Annual Governance Statement and provided assurance over the arrangements in place during this period. We are satisfied that the accounting and internal control system has continued to operate effectively during remote working with no significant changes in controls.

Impact of COVID-19

75. With national lockdown announced on 23 March 2020, all Partnership activity moved to being delivered remotely



Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the Partnership is planning effectively to continue to deliver its services or the way in which they should be delivered.

Significant audit risk

80. Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities.

Financial sustainability

The Partnership has yet to fully develop medium to long term financial plans. In December 2019, the Partnership received an update on the development of a medium-term financial plan (covering the three year period commencing 2020/21).

The Transport (Scotland) Bill received Royal Assent in November 2019. The Act allows Scotland's Regional Transport Partnerships' (RTPs) to manage year-end finances by enabling them to hold a balance of funds. RTPs' will also be able to hold and operate capital funds, renewals and repair funds and insurance funds in a similar way to Scottish local authorities. The Scottish Government has carried out a 12 week consultation on these proposals, the results of which have yet to be published.

The Act will have a significant impact on the way in which the Partnership develops its revenue and, if applicable, capital financial plans. A reserves policy has been prepared which will be presented to the Partnership for consideration in 2020.

As noted in the 2019/20 External Audit Plan

81. In December 2019, the Partnership received a report which set out its proposed revenue budget for 2020/21 and indicative financial plans for 2020/21 and 2022/23. These were further considered by the Performance and Audit Committee in March 2020. The 2020/21 revenue budget was subsequently approved by the Partnership under emergency delegated powers due to the COVID-19 pandemic.
82. The Partnership has progressed its future financial plans, taking into account the COVID-19 pandemic, through a review of its three year planning assumptions which were initially considered in December 2019. The planning assumptions have been updated for:
- A reduction in estimated staff recharges over the three year period commencing 2020/21; and
 - Revisions to the pay award and pay increment provision in 2021/22 and 2022/23.

83. Indicative revenue budgets for 2021/22 and 2022/23 are due to be presented to the Partnership in November 2020. These assume a balanced position each year and are based on the Partnership receiving £782,000 grant from the Scottish Government, £190,000 from constituent council requisitions and the balance met from External Funding:

	20/21	21/22	22/23
	£'000	£'000	£'000
Total budget	1,661	1,462	1,334
External funding	689	490	362
Scottish Government	782	782	782
Council requisition	190	190	190
Total funding	1,661	1,462	1,334

Source: *Financial Planning 2021/22 to 2022/23 report to Performance and Audit Committee November 2020*

84. The Transport (Scotland) Act 2005 prohibited regional transport partnerships from generating a surplus or deficit on a general fund and hence adding to reserves. The enactment of provisions within the Transport (Scotland) Act 2019 allow RTP's to manage year-end finances by enabling them to hold a balance of funds.
85. The Partnership has prepared a Reserves Policy. The Reserves Policy sets out the following:
- Maintain a minimum general reserve level of 5% of the approved annual core revenue budget; to mitigate core revenue budget risks; specifically, to provide a contingency to cushion the impact of unexpected financial events;
 - Where slippage occurs on revenue projects, which are included in the approved annual revenue Projects budget, retain within the General Fund reserve an earmarked balances of the underspent Project budget
86. The Partnership approved, under emergency delegated powers due to the COVID-19 pandemic, the Reserves Policy and agreed to work towards establishing an unallocated general fund reserve of £29,000,

based on 5% of the proposed core revenue budget for 2020/21, following review of the 2019/20 year-end position.

87. The Partnership however sets a balanced budget at the start of each year and therefore will only achieve the target unallocated general fund reserve position through reported underspends in the year. The Partnership should, as part of its annual budgeting process, develop a strategy which sets out how the unallocated general fund reserve is built up and maintained.

Action Plan Point 1

The Partnership's performance in 2019/20

88. The Comprehensive Income and Expenditure Statement for 2019/20 shows that the Partnership spent £2.189million on the delivery of services, resulting in an accounting surplus of £107,000. However, the accounting surplus includes certain elements of income and expenditure that need to be accounted for to comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the 2019/20 Code).
89. Taking account of these adjustments, the Partnership reported a surplus of £189,000, which following the enactment of specific provisions within the Transport (Scotland) Act 2019 has been reported and held within a general fund reserve.
90. As at 31 March 2020, the general fund comprises £12,000 in unallocated general funds and £177,000 in earmarked balances (representing slippage on revenue projects).
91. As noted at paragraph 86, the Partnership's approved Reserves Policy is to work towards unallocated general fund reserve of £29,000. In

2019/20, the Partnership fell below this target level.

Impact of COVID-19

92. The Partnership note in the annual accounts that through some modification to project methodologies and by making the most of available technologies to support consultation, engagement and project meetings, it has so far been possible to progress all areas of the Partnership's work.

Appendices



Appendix 1: Respective responsibilities of the Partnership and the Auditor

Responsibility for the preparation of the annual accounts

The Partnership is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The Treasurer has been designated as that officer.

The Treasurer is responsible for the preparation of the Partnership's annual 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 the annual accounts, the Treasurer is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- complying with legislation; and
- complying with the Code.

The Treasurer is also responsible for:

- keeping proper accounting records which are up to date; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor responsibilities

We audit the annual accounts and give an opinion on whether:

- they give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of the affairs of the body as at 31 March 2020 and of its income and expenditure for the year then ended;
- they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code;
- they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003;
- the use of the going concern basis of accounting in the preparation of the financial statements is appropriate or the Treasurer has disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue;
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government Scotland Act 2003; and
- the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

We are also required to report, if in our opinion:

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

Wider scope of audit

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

The Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money.

We have concluded that the full application is not appropriate due to the size of the organisation. As part of our annual audit we consider and report against:

- appropriateness of the disclosures in the governance statement; and
- financial sustainability of the body and the services that it delivers over the medium to longer term.

Best Value

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.

Our work in respect of the Partnership's best value arrangements has been integrated into our audit approach, including our work on the wider scope dimensions.

Independence

International Standard on Auditing (UK) 260 "*Communication with those charged with governance*" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

Confirmation of independence

We confirm that we have complied with the FRC's Ethical Standards. In our professional judgement, the audit process is independent, and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Azets, the Partnership or senior management that may reasonably be thought to bear on our objectivity and independence.

Appendix 2: Action Plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our audit.

Action plan grading structure

The recommendations have been rated to help the Partnership assess the significance of the issues and prioritise the actions required.

The rating structure is summarised as follows:

Grade	Explanation
Grade 5	Very high risk exposure - Major concerns requiring immediate attention.
Grade 4	High risk exposure - Material observations requiring management attention.
Grade 3	Moderate risk exposure - Significant observations requiring management attention.
Grade 2	Limited risk exposure - Minor observations requiring management attention
Grade 1	Efficiency / housekeeping point.

Current year action plan

Reserves Policy

Initial rating	Issue & recommendation	Management comments
Grade 3	<p>Issue</p> <p>Per its Reserves Policy, the Partnership has set a minimum unallocated general fund level of £29,000. However, by setting a balanced annual budget, achievement of this is dependent on delivering underspends in year.</p> <p>Risk</p> <p>There is a risk that the Partnership cannot build or maintain an unallocated general fund reserve in line with its approved policy.</p> <p>Recommendation</p> <p>The Partnership should, as part of its annual budgeting process, develop a strategy which sets out how the unallocated general fund reserve is built up and maintained.</p>	<p>Indicative plans for the Partnership's budget for 2021/22 will be presented to the Partnership Board on 20 November 2020, with a budget presented to the Partnership for approval by 31st March 2021.</p> <p>The revenue budget to be presented for approval in March 2021 will be developed, setting out how the unallocated general fund reserve will be built up and maintained.</p> <p>Responsible officer: Treasurer and Partnership Director</p> <p>Implementation date: 31 March 2021</p>

Follow up of prior year recommendations

The five recommendations included in our 2018/19 annual audit report have been closed as described below.

Property, plant and equipment – impairment and verification exercise

Initial rating	Issue & recommendation	Management comments
Grade 3	<p>Issue</p> <p>We have identified that management have not carried out an exercise over the fixed assets register to confirm the existence of its assets and the current condition to identify any required impairments.</p> <p>Risk</p> <p>There is a risk that tassets have become impaired throughout the year and this has not been identified by management. This could lead to inaccuracies in the asset register.</p> <p>Recommendation</p> <p>We would encourage the Partnership to carry out both an impairment exercise over its assets as well as a continual verification exercise. This will allow the Partnership to hold assets at the correct carrying value.</p>	<p>Work to address previous years External Audit comments in respect of the fixed asset register required an ongoing exercise to update property, plant and equipment asset records during 2018/19, reducing the risk of inaccuracies in the asset register for 2018/19. From 2019/20 onwards, a formal exercise will be carried out to confirm the existence of assets and their current condition.</p> <p>Responsible officer: Partnership Director</p> <p>Implementation date: 31 March 2020</p>
Current status	Update	
Closed	An impairment review was carried out during 2019/20. This resulted in an impairment charge in the annual accounts.	

Related parties

Initial rating	Issue & recommendation	Management comments
Grade 3	<p>Issue</p> <p>We concluded during our audit that while the relevant disclosures had been made in the annual accounts; improvements could be made over the procedures for collating this information as follows:</p> <ul style="list-style-type: none"> • Identification of potential related parties: One way which the Partnership can identify potential related parties is through the maintenance of a register of interests. We noted during our audit that the 2018/19 annual updating of the register of interests by members of the Partnership had not been fully completed. • Related party transactions: Once potential related parties have been identified, an exercise should be carried out to review accounting records for transactions associated with those related parties. This part of the process is carried out by the City of Edinburgh Council (the Council) on behalf of the Partnership and is dependent on potential related parties 	<p>In the past members were sent reminders, biannually, of the need to update the register.</p> <p>With effect from the current financial year, a record of those members not responding is kept and they are sent follow-up reminder emails, monthly.</p> <p>A review was undertaken of the Register of Interests, when preparing the Audited Annual Accounts for 2018/19. No additional disclosures were identified.</p> <p>As part of the preparation of the Unaudited Annual Accounts for 2019/20 onwards, a review will be undertaken of the Register of Interests.</p> <p>Responsible officer: Partnership Director/ Treasurer</p> <p>Implementation date: 31 March 2020</p>

Initial rating	Issue & recommendation	Management comments
	<p>being identified by management at the Partnership and reported to the Council. We would encourage both management at the Partnership and the Council to review existing procedures to ensure these are carried out in the most efficient and effective way.</p> <p>Risk</p> <p>There is a risk that the disclosure within the annual accounts is incomplete.</p> <p>Recommendation</p> <p>We would encourage both management at the Partnership and the Council to review existing procedures to ensure these are carried out in the most efficient and effective way.</p>	
Current status	Update	
Closed	As part of the preparation of the Annual Accounts for 2019/20 a review was undertaken of the Register of Interests. No additional related parties were identified.	

Governance Scheme

Initial rating	Issue & recommendation	Management comments
Grade 3	<p>Issue</p> <p>During 2017/18, a number of independent members' terms of appointment came to an end including the Chair of the Performance and Audit Committee.</p> <p>For a single meeting, the Chair of the Board acted as Chair of the Performance and Audit Committee until a permanent Chair could be appointed by the Partnership Board to the Committee.</p> <p>Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2018) states that organisations 'should adopt a model that establishes the committee as independent and effective.' Best practice recommends that the Chair should not be permitted to be a member of the Performance and Audit Committee.</p> <p>Risk</p> <p>There is a risk that the Performance and Audit Committee is not operating independently and could not provide effective scrutiny and challenge to officers.</p> <p>Recommendation</p> <p>The Partnership has reviewed its Governance Scheme following a recommendation from internal audit. We recommend that a further</p>	<p>2017/18 management comments</p> <p>Ministerial approval for the appointments of the new Non-Councillor Members was not granted within the expected timeframe, resulting in the Performance and Audit Committee not having full Non-Councillor Member representation, or a Chair, for the June 2018 meeting. There were concerns that the meeting would not be quorate and as the Governance Scheme states that the Chair of the Partnership is entitled to substitute for any member of the Committee, it was considered appropriate, as an emergency measure, for him to Chair a one-off meeting.</p> <p>At the 22 June Partnership Board meeting, appointments to the Performance and Audit Committee were made, including a permanent Chair.</p> <p>In respect of the Chair being able to substitute for any member of the committee, a further review of the Governance Scheme will be carried out and reported to the December Partnership Board.</p> <p>2018/19 management comments</p> <p>The Governance Scheme has been reviewed and updated to confirm that the Chair of the Partnership cannot be a member, and cannot be a substitute for any other member, of the Performance & Audit Committee. The necessary report will be presented to the Partnership Board on 27 September 2019.</p> <p>Responsible officer: Partnership Director</p>

Initial rating	Issue & recommendation	Management comments
	<p>review is conducted specifically considering whether the Chair of the Partnership should be entitled to substitute for any member of the committee.</p> <p>CIPFA have recently published a reviewed Audit Committee guide and we further recommend that the Committee performs a self-assessment against the guide.</p>	<p>Implementation date: 27 September 2019</p>
Current status	Update	
Closed	<p>The revised Governance Scheme was approved by the Partnership in September 2019. This had been updated to confirm that the Chair of the Partnership cannot be a member, and cannot be a substitute for any other member, of the Performance and Audit Committee.</p>	

Register of Interests

Initial rating	Issue & recommendation	Management comments
Grade 3	<p>Observation</p> <p>From our review of the Registers of Interests of members it was found that a number of the declarations forms had not been updated since 2014. Upon further review we identified an undisclosed related party transaction of £0.086million relating to an undeclared related party for Edinburgh and Lothians Greenspace Trust. The annual accounts have been updated to reflect the appropriate disclosures.</p> <p>Recommendation</p> <p>The Partnership should ensure registers of interest are updated on at least an annual basis</p>	<p>2016/17 management comments</p> <p>All members of the Partnership Board are reminded and have been in Summer 2017 of the provision of regulations which provide for Board Members to give notice of registerable interests as outlined in the Partnership Code of Conduct and all members of the Board at the first meeting of the new session has been reminded of their Code of Conduct responsibilities. Keeping entries in the Register of Interests up to date is ultimately the responsibility of individual Members. The Secretary of the Partnership is the proper officer for these purposes. We should stress that they receive an annual reminder.</p> <p>2017/18 management comments</p> <p>The members concerned have been advised of the omissions and the necessary interests have now been recorded.</p> <p>Code of Conduct training is arranged for 21 September 2018.</p> <p>Responsible officer: Secretary to the Partnership</p> <p>Implementation date: 21 September 2018</p> <p>2018/19 management comments</p> <p>As referred to above, Board members not responding to requests for information on the biannual approaches will be sent reminders by emails monthly until the necessary updates are received.</p> <p>Responsible officer: Partnership Director</p> <p>Implementation date: On-going</p>

Initial rating	Issue & recommendation	Management comments
Current status	Update	
Closed	An annual exercise was performed in 2019/20 to update the register of interests.	

Longer term financial planning

Initial rating	Issue & recommendation	Management comments
Grade 4	<p>Observation</p> <p>The Partnership develops a budget for one financial year which is aligned to the annual business plan and Regional Transport Strategy. There is a risk that funding is used to support short term need rather than long term strategic priorities.</p> <p>Recommendation</p> <p>In order to ensure financial sustainability the Partnership should develop medium to long term financial plans on a 3 to 5 year basis. This would assist the Partnership in highlighting risks to its sustainability and ensure funding is allocated in line with the long term strategic aims of the Regional Transport Strategy.</p>	<p>2016/17 management comments</p> <p>The removal of capital funding in 2009/10 means there is a difficulty for long-term strategic funding of RTS projects. The Director continues to monitor and advocate for investment by stakeholders in strategic priorities and for the return of long-term significant funding to RTPs through the second National Transport Strategy review process. However, given our main funder Transport Scotland has only been able to issue one year funding settlements in recent years, this has limited our ability to take a long-term budgetary approach to investment.</p> <p>2017/18 management comments</p> <p>The Transport (Scotland) Bill, currently out to consultation, includes a proposal to allow RTPs to carry forward reserves. If approved, this may assist with financial planning over a time period longer than one year.</p> <p>However, as Transport Scotland continues to issue one-year funding settlements, there is limited scope to take a long-term approach to financial planning. Within the scope of funding information available, a plan shall be developed, which will seek to align to the Business Plan and Regional Transport Strategy,</p> <p>2018/19 management comments</p> <p>The Board continues to prepare its revenue budget in the context of one-year funding settlements from the Scottish Government and constituent councils.</p> <p>A financial plan, which extends beyond one year, will be presented to the Board at its meeting in December 2019, when</p>

Initial rating	Issue & recommendation	Management comments
		<p>the Board is due to consider its initial financial plans for 2020/21.</p> <p>Responsible officer: Partnership Director and Treasurer</p> <p>Implementation date: December 2019</p>
Current status	Update	
Closed	<p>Three year financial plans (commencing 2020/21) have been developed in 2019/20 and approved by the Partnership. The Partnership continues to progress and update its future financial plans, taking into account the COVID-19 pandemic, through a review of its three year planning assumptions.</p>	

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Audited Annual Accounts 2019/20

1. Introduction

- 1.1** This report presents the audited accounts for the year ended 31st March 2020. The audited accounts are appended.

2. Main Report

- 2.1** The unaudited Annual Accounts were noted by the Partnership at its meeting on 19th June 2020.

- 2.2** Schedule 6 of the Coronavirus (Scotland) Act 2020 allows a local government body to postpone publishing the audited accounts until it is reasonably practicable. The Scottish Government provided guidance on this in Finance Circular 10/2020. The guidance advises that 30 November should be considered a reasonably practicable date for publishing the audited accounts. Audit Scotland revised the deadline for auditors to submit the audited annual accounts from 30 September to 30 November 2020.

- 2.3** During the course of the audit, the Partnership's appointed External Auditor – Scott Moncrieff – was rebranded as Azets. The External Auditor's report is presented separately on this agenda.

- 2.4** The Auditor's report provides an opinion on whether:

- the Annual Accounts give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of the affairs of the body as at 31 March 2020 and of its income and expenditure for the year then ended;
- the Annual Accounts have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code;
- the use of the going concern basis of accounting in the preparation of the financial statements is appropriate or the Treasurer has disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue;
- the Annual Accounts have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003;
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;

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

2.5 There are no qualifications to the audit certificate which appears on pages 46 to 48 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 2020 and its income and expenditure for the year then ended.

2.6 Two adjustments were made to the unaudited annual accounts:

- an adjustment of £-15,000 was made to the net pension liability, following confirmation by the Partnership's Actuary of the adjustment required for the McLeod judgement;
- An adjustment of £-26,362 was made for an invoice incorrectly accrued.

2.7 There were no unadjusted differences to the unaudited annual accounts.

2.8 The Partnership Board will consider the audited accounts at its' meeting on 20th November 2020. The Chair of the Performance and Audit Committee will have an opportunity to report to the Board on any issue arising from the Performance and Audit Committee's consideration of the accounts.

3 Recommendations

It is recommended that the Performance and Audit Committee:

- 3.1** note the audited accounts and the Auditor's opinion in the audit certificate;
- 3.2** refer the Audited Annual Accounts to the Partnership Board for approval.

Hugh Dunn

Treasurer

6th November 2020

**Appendix
Contact**

Audited Annual Accounts 2019/20
iain.shaw@edinburgh.gov.uk

Policy Implications	There are no policy implications arising as a result of this report.
Financial Implications	There are no financial implications arising following issue of an unqualified Audit certificate.
Equalities Implications	There are no equality implications arising as a result of this report.
Climate Change Implications	There are no climate change implications arising as a result of this report.

The South East of Scotland Transport Partnership (SESTRAN)

Audited Annual Accounts

2019/2020

The South East of Scotland Transport Partnership (SESTRAN)

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The South East of Scotland Transport Partnership (SESTRAN)

Management Commentary

1. Basis of Accounts

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

2. Statutory Background

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

In accordance with Section 122 of the Transport (Scotland) Act 2019, which allows Regional Transport Partnerships to carry forward reserves, the Partnership has now established a General Fund reserve. This provision in the Transport (Scotland) Act 2019 came into effect on 19 March 2020, and is available to Regional Transport Partnerships for financial years 2019/20 and onwards.

3. Corporate Strategy

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

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

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

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

SEStran’s Vision Statement is as follows:

“A regional transport system that provides all citizens of South East Scotland with a genuine choice of transport which fulfils their needs and provides travel opportunities for work and leisure on a sustainable basis.”

4. Risks and Uncertainties

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

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

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

5. Results for the Year

The Partnership is required to present its financial performance as a Comprehensive Income and Expenditure Statement. This can be seen on page 12.

The South East of Scotland Transport Partnership (SESTRAN)

Management Commentary (*continued*)

5. Results for the Year (*continued*)

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 2.

The net revenue budget of the Partnership in 2019/20 was £0.972m, funded by Government Grant and Council Contributions. A comparison of the outturn position with the revenue budget is presented in the table below. Key aspects of financial performance in 2019/20 are:

- Overall the Partnership had an underspend of £189,000 which is shown in the table below. The underspend arose due to a combination of underspends on the core revenue budget, projects budget and the RTPI project budget;
- The Partnership incurred core service expenditure of £0.517m which was £67,000 below the revised Core Service revenue budget. This underspend mainly reflected decreased expenditure on staff costs, marketing costs and computer costs;
- The Partnership incurred expenditure of £1.502m on revenue projects and received external grants and contributions of £1.256m, resulting in net expenditure of £0.246m. Net expenditure was £62,000 under budget. The main favourable variance on the Projects revenue budget arose on the Sustainable and Active Travel grants programme;
- Expenditure of £31,000 on the Real-Time Passenger Information (RTPI) project was partly funded by contributions of £10,000 from other parties, resulting in net expenditure of £21,000. Net expenditure was £59,000 under budget.

	Revised Budget	Outturn	Variance
	£'000	£'000	£'000
Core Service	584	517	(67)
Revenue Projects - Net Expenditure	308	246	(62)
RTPI Project - Net Expenditure	80	21	(59)
Net Interest	0	(1)	(1)
Total Expenditure 2019/20	972	783	(189)
Government Grant	(782)	(782)	0
Constituent Council Requisitions	(190)	(190)	0
Total Government Grant and Council Contributions 2019/20	(972)	(972)	0

In accordance with the provisions of the Transport Scotland (2019) Act, the Partnership has agreed a Reserves Policy and established an unallocated reserve of £12,000 and an earmarked balance of £177,000 to meet slippage on project delivery from 2019/20 to 2020/21.

Non Financial Results

During 2019/20, the Partnership published a Main Issues Report that sets out issues for the next Regional Transport Strategy.

The Partnership remained successful in attracting funding and delivering region-specific strategies, studies and services of benefit to transport users and partners across the region.

- The Partnership delivered the SEStran Strategic Network study, providing a framework for active travel routes across the region, including further design for a route from Cameron Toll to the BioQuarter, with funding from Transport Scotland;

The South East of Scotland Transport Partnership (SESTRAN)

Management Commentary (*continued*)

5. Results for the Year (*continued*)

Non Financial Results (*continued*)

- Sustrans Scotland funding was used to allow the Partnership to complete feasibility studies for Winchburgh to Kirkliston, Sheriffhall to the BioQuarter, and Kirkcaldy to Buckhaven routes;
- A GO e-bike share system for four hubs across East Lothian and Midlothian, utilising match funding from Low Carbon Travel and Transport Fund. An additional grant from Transport Scotland was used towards e-bike hubs and facilities in Edinburgh and Scottish Borders;
- Transport Scotland's direct Active Travel funding allowed the Partnership to conclude five feasibility studies for key routes in the region, including A701 Straiton to The Bush, A9 Larbert to Stirling, Dalkeith, Shawfair and Little France. Additionally, the technical design for the Kirkcaldy to Buckhaven route and a placemaking design for Alloa town centre were delivered;
- The Thistle Assistance scheme was rebranded, with a new app, website and awareness campaign and 10,000 new cards issued. This was made possible through Scottish Enterprise and Transport Scotland funding. The concept for an inclusive Journey Planning App was also developed, for users with a wide range of technology adaptation and accessibility needs;
- With support and funding from Inclusion Scotland, the Partnership was able to offer a short-term Marketing Internship that commenced in November 2019;
- SHARE-North funding was utilised to promote shared mobility, through Tripshare SEStran and GO e-Bike in particular. The Partnership also exchanged knowledge with SHARE-North partners for the implementation of Mobility Hubs;
- PriMaaS funding allowed the Partnership to begin exchanging knowledge and best practice in the development of regional policies to support Mobility-as-a-Service;
- Surflogh funding was used to continue the first mile / last mile sustainable delivery trial with ZEDIFY, moving an average of one pallet of goods per day in the central Edinburgh area;
- BLING funding enabled further development of the Blockchain pilot being run through the University of Edinburgh, testing the potential to use this technology to support the sustainable movement and consignment of small goods in a real-world setting;
- Funding from Transport Scotland's LEZ support fund enabled the Partnership to complete a Park and Ride Strategy, a Mobility Hubs Strategy and Demand Responsive Transport study. The funding also enabled investment in assets for the RTP system;
- Local Rail Development Fund support from Transport Scotland was used to deliver a multi-modal transport appraisal for Newburgh, in partnership with the Newburgh Train Station Group and Fife Council.

6. Future Developments

The impacts from Covid-19 on the Partnership were first noted towards the end of the 2019/20 year, with the advent of fully home-based working. Ensuring the health, safety and well-being of staff remains the utmost priority and the organisation will respond to all physical distancing requirements set out by Government, once a return to office-based working is safe and possible.

Through some modifications to project methodologies and by making the most of available technologies to support consultation, engagement and project meetings, it has so far been possible to progress all areas of the Partnership's work.

However, the impacts from Covid-19 on the entire transport sector, and the context in which all the Partnership's work is progressed, are very significant. It is too early to confirm how regional transport strategic planning, delivery and operations will need to respond, but some impacts and changes may last for years to come. Covid-19 is therefore rightly recognised within the Main Issues Report and will be considered within the development of the new Regional Transport Strategy.

The South East of Scotland Transport Partnership (SESTRAN)

Management Commentary *(continued)*

6. Future Developments *(continued)*

The Partnership, alongside other RTPs in Scotland, will continue to work closely with Transport Scotland and partner Councils to continually re-evaluate and respond to the new context for transport as it evolves.

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

Chair of Partnership Board:	GORDON EDGAR	_____	Date signed:
Partnership Director:	JIM GRIEVE	_____	Date signed:
Treasurer:	HUGH DUNN, CPFA	_____	Date signed:

The South East of Scotland Transport Partnership (SESTRAN)

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Partnership's Responsibilities

The Partnership is required:

- to make arrangements for the proper administration of its financial affairs and to secure that the proper officer has the responsibility for the administration of those affairs. In this Partnership, that officer is the Treasurer;
- to manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets;
- to ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003);
- to approve the Annual Accounts.

I confirm that these annual accounts were approved for signature by the South East of Scotland Transport Partnership at its Board meeting on 20th November 2020.

Chair of Partnership

Board:

GORDON EDGAR

_____ Date signed:

The Treasurer's Responsibilities

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

In preparing the Annual Accounts, the Treasurer has:

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

The Treasurer has also:

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

I certify that the Annual Accounts give a true and fair view of the financial position of the Partnership at the reporting date and the transactions of the Partnership for the year ended 31st March 2020.

Treasurer:

HUGH DUNN, CPFA

_____ Date signed:

The South East of Scotland Transport Partnership (SESTRAN)

ANNUAL GOVERNANCE STATEMENT 2019/20

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 2015-2025.

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

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

The Partnership has approved and adopted a Local Code of Corporate Governance which is consistent with appropriate corporate governance principles and reflects the requirements of the "Delivering Good Governance in Local Government: Framework (2016)".

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

The Partnership's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

2. The Partnership's Governance Framework

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

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

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

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

The South East of Scotland Transport Partnership (SESTRAN)

ANNUAL GOVERNANCE STATEMENT 2019/20 (*continued*)

2. The Partnership's Governance Framework (*continued*)

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

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

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

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

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

4. Review of Effectiveness

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

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

- the work of Internal Audit on the adequacy and effectiveness of the Partnership's control environment, governance and risk management frameworks;
- 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**, which 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**, which demonstrates the Partnership's commitment to the principles of good governance. It scrutinises the running of the Partnership and suggests improvements;
- **Internal Audit** provides an independent and objective assurance service to the Partnership, by completing one review in each financial year that is focused on the adequacy and effectiveness of controls established to manage a key risk of the Partnership;

The South East of Scotland Transport Partnership (SESTRAN)

ANNUAL GOVERNANCE STATEMENT 2019/20 (continued)

4. Review of Effectiveness (continued)

- **The External Auditor'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 Board. This ensures that actions are taken to effectively manage the Partnership's highest risks;
- **The Partnership Secretary** is responsible to the Partnership for ensuring that agreed procedures are followed. The Partnership has a contractual arrangement with an external Legal Services provider to ensure all applicable statutes and regulations are complied with.

5. Internal Audit Opinion

During the year, Internal Audit completed one review that assessed the design adequacy of governance arrangements and stakeholder engagement plans supporting the new Regional Transport Strategy (RTS) development and considered whether the project is being delivered in line with applicable guidance and legislative requirements. The design adequacy and operating effectiveness of key third-party supplier management controls in relation to third parties engaged to support the new RTS was also considered. The audit highlighted that whilst some moderate control weaknesses were identified in the design of the governance and risk management frameworks established to support delivery of the first stage of the RTS rewrite project, the established governance and risk management frameworks provided reasonable assurance that project risks are being managed and that the Partnership's objectives to deliver a new strategy based on Main Issues Report outcomes should be achieved.

6. Coronavirus Pandemic

The coronavirus pandemic has required changes to governance arrangements. This Governance Statement provides assurance over the governance arrangements that have been in place for the majority of 2019/20. The meeting of the Partnership, which was due to take place on 20th March 2020 was cancelled due to the pandemic. Decisions due to be taken at that meeting were dealt with as Items of Urgency under the provisions of the Partnership's Standing Orders; this after consultation with the Partnership Board. During the period of pandemic lockdown, the Partnership is planning to facilitate future meetings of the Partnership Board and Performance and Audit Committee using electronic technology.

7. Certification

In compliance with accounting practice, the Treasurer has provided the Partnership Director with a statement on the adequacy and effectiveness of the Partnership's internal financial control system for the year ended 31st March 2020. It is the Treasurer's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Partnership's internal control system.

8. From this year's review, there is reasonable assurance that the Local Code of Corporate Governance is operating adequately, with overall compliance by the Partnership with its corporate governance arrangements.

Chair of Partnership

Board:

GORDON EDGAR

Date signed:

Partnership Director:

JIM GRIEVE

Date signed:

The South East of Scotland Transport Partnership (SESTRAN)

REMUNERATION REPORT

1. Remuneration Policy for Senior Employees

The Partnership Board determines remuneration for 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 (SJNC) for Local Authority services.

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 annual accounts.

3. Management of Remuneration Arrangements

The remuneration of the Partnership's employees is administered 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	2019/20	2018/19
£70,000 - £74,999	0	1
£75,000 - £79,999	1	0
£95,000 - £99,999	0	1

5. Senior Employees Remuneration

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

Name and Post Title	Salary, Fees and Allowances £	Compensation £	Total Remuneration 2019/20 £	Total Remuneration 2018/19 £
Jim Grieve - Partnership Director	78,994	0	78,994	74,975
George Eckton - Partnership Director to 29/11/18 *	0	0	0	99,896
	78,994	0	78,994	174,871

* full time equivalent 2018/19 salary - George Eckton (£79,661)

The senior employees detailed above have/ had responsibility for management of the Partnership to the extent that they have power to direct or control the major activities of the Partnership (including activities involving the expenditure of money), during the year to which the Remuneration Report relates, whether solely or collectively with other persons.

In 2018/19, the previous Partnership Director resigned on 29th November 2018. The Partnership's Head of Programmes undertook the duties of the Director's post until his appointment as Partnership Director on 3rd May 2019.

6. Senior Employees Pension Entitlement

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

Name and Post Title	In-year pension contributions			Accrued pension benefits	
	2019/20 £	2018/19 £		As at 31 March 2020 £'000	Difference from 31 March 2019 £'000
George Eckton - Partnership Director (to 29/11/18)	0	11,885	Pension	0	18
			Lump Sum	0	16
	0	11,885			

The senior employee shown in the table above is a member of the Local Government Pension Scheme (LGPS). The Partnership makes no pension contributions for Jim Grieve, nor is he in receipt of pension entitlement.

The South East of Scotland Transport Partnership (SESTRAN)

REMUNERATION REPORT *(continued)*

7. Pension Entitlement

Pension benefits for the Partnership's employees are provided through the Local Government Pension Scheme (LGPS). For the Partnership's employees, the Local Government Pension Scheme (LGPS) became a career average pay scheme on 1 April 2015. Benefits built up to 31 March 2015 are protected and based on final salary. Accrued benefits from 1 April 2015 will be based on career average salary.

The scheme's normal retirement age for employees is linked to the state pension age (but with a minimum of age 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 contributions rates were set at 6% for all non-manual employees.

The tiers and members contributions rates for 2019-20 were as follows:

	Contribution rate
Whole Time Pay	
On earnings up to and including £21,800 (2018/2019 £21,300)	5.50%
On earnings above £21,800 and up to £26,700 (2018/2019 £21,300 to £26,100)	7.25%
On earnings above £26,700 and up to £36,600 (2018/2019 £26,100 to £35,700)	8.50%
On earnings above £36,600 and up to £48,800 (2018/2019 £35,700 to £47,600)	9.50%
On earnings above £48,800 (2018/2019 £47,600)	12.00%

From April 2015, when allocating contribution rates to members, pensionable pay means the actual pensionable pay, regardless of hours worked.

There is no automatic entitlement to a lump sum for members who joined the scheme post April 2009. Members may opt to give up (commute) pension for lump sum or bigger lump sum up to the limit set by the Finance Act 2004.

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 - assuming that the person left the related employment or service as at 31st March in the year to which the value relates.

8. Exit Packages

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

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Agreed Departures		Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in Each Band	
						£'000	£'000
All Cost Bands	0	0	0	0	0	0	0
	0	0	0	0	0	0	0

All information disclosed in the tables at paragraphs 4, 5, 6 and 8 in this Remuneration Report has been audited. The other sections of the Remuneration Report have been reviewed by the appointed auditor to ensure that they are consistent with the annual accounts.

Chair of Partnership

Board: GORDON EDGAR

Date signed:

Partnership Director:

JIM GRIEVE

Date signed:

The South East of Scotland Transport Partnership (SESTRAN)

MOVEMENT IN RESERVES STATEMENT

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

2018/19 - Previous Year Year Comparative

Opening Balances at 1 April 2018

Movement in reserves during 2018/19

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

Total Comprehensive Expenditure and Income

Adjustments between accounting basis & funding basis under regulations (Note 7)

Increase/Decrease in 2018/19

Balance at 31 March 2019 carried forward

Usable Reserves		Unusable Reserves	Total Partnership Reserves
General Fund Balance	Total Usable Reserves		
£'000	£'000	£'000	£'000
0	0	(247)	(247)
(147)	(147)	0	(147)
0	0	(127)	(127)
(147)	(147)	(127)	(274)
147	147	(147)	0
0	0	(274)	(274)
0	0	(521)	(521)

2019/20 - Current Financial Year

Opening Balances at 1 April 2019

Movement in reserves during 2019/20

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

Total Comprehensive Expenditure and Income

Adjustments between accounting basis & funding basis under regulations (Note 7)

Increase/Decrease in 2019/20

Balance at 31 March 2020 carried forward

Usable Reserves		Unusable Reserves	Total Partnership Reserves
General Fund Balance	Total Usable Reserves		
£'000	£'000	£'000	£'000
0	0	(521)	(521)
107	107	0	107
0	0	241	241
107	107	241	348
82	82	(82)	0
189	189	159	348
189	189	(362)	(173)

The South East of Scotland Transport Partnership (SESTRAN)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2019/20

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.

2018/19				2019/20		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Services	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
719	(1)	718	Core	678	(4)	674
678	(335)	343	Projects	1,436	(1,266)	170
1,397	(336)	1,061	Cost Of Services	2,114	(1,270)	844
73	(55)	18	Financing & Investment Income (Note 9)	75	(54)	21
0	(932)	(932)	Taxation and Non-Specific Grant Income (Note 10)	0	(972)	(972)
1,470	(1,323)	147	(Surplus) or Deficit on Provision of Services	2,189	(2,296)	(107)
			Other Comprehensive Income and Expenditure			
0	0	0	Change in Demographic Assumptions	0	0	0
264	0	264	Change in Financial Assumptions	0	(369)	(369)
0	0	0	Other Experience	0	(18)	(18)
0	(137)	(137)	Return on Assets excluding amounts included in net interest	146	0	146
264	(137)	127	Total Other Comprehensive Income and Expenditure	146	(387)	(241)
1,734	(1,460)	274	Total Comprehensive Income and Expenditure	2,335	(2,683)	(348)

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 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 2019 £'000		Note	31 March 2020 £'000
352	Property, plant and equipment	11	309
352	Long term assets		309
514	Short-term debtors	13	773
0	Provision for Bad Debts	14	0
279	Cash and cash equivalents	15	151
793	Current assets		924
(190)	Contributions and Grants Received in Advance		0
(609)	Short-term creditors	16	(745)
(799)	Current liabilities		(745)
(867)	Other long-term liabilities (Pensions)	24	(661)
(867)	Long-term liabilities		(661)
(521)	Net assets/ (liabilities)		(173)
	Financed by:		
0	Usable reserves	17	189
(521)	Unusable reserves	18	(362)
(521)	Total reserves		(173)

The unaudited Annual Accounts were issued on the 19th June 2020.

The audited financial statements were authorised for issue on

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 2019 £'000	31 March 2019 £'000		31 March 2020 £'000	31 March 2020 £'000
		OPERATING ACTIVITIES		
(782)		Government Grants	(782)	
(190)		Constituent Council Requisitions	(190)	
(1)		Interest paid/ (received)	(1)	
(396)		Other receipts from operating activities	(842)	
	(1,369)	Cash inflows generated from operating activities		(1,815)
481		Cash paid to and on behalf of employees	488	
1,309		Cash paid to suppliers of goods and services	1,393	
	1,790	Cash outflows generated from operating activities		1,881
	421	Net cash flows from operating activities		66
		INVESTING ACTIVITIES		
0		Purchase of property, plant and equipment	62	
	0	Net cash flows from investing activities		62
		FINANCING ACTIVITIES		
0		Other receipts from financing activities	0	
	0	Net cash flows from financing activities		0
	421	Net(increase)/ decrease in cash and cash equivalents		128
	700	Cash and cash equivalents at the beginning of the reporting period		279
	279	Cash and cash equivalents at the end of the reporting period (Note 15)		151

The South East of Scotland Transport Partnership (SESTRAN)

1. STATEMENT OF ACCOUNTING POLICIES

1.1 Accounting Policies

The Annual Accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) based Code of Practice in the United Kingdom (the Code). This is to ensure that the Annual Accounts "present a true and fair view" of the financial position and transactions of the Partnership.

The Annual Accounts have been prepared on an historic cost basis, modified by the valuation of pension assets and liabilities and property, plant and equipment, where appropriate.

1.2 Revenue Expenditure

Revenue expenditure is that which does not yield benefit beyond the year of account. In broad terms the revenue expenditure of the Partnership can be divided into two categories:

- employees;
- day-to-day operating expenses, includes costs incurred in respect of office accommodation transport, ICT, and project expenditure.

1.3 Revenue Income

Revenue income is that which does not yield benefit beyond the year of account. In broad terms the revenue income of the Partnership can be divided into the following categories:

- Council requisitions, which fund day to day expenditure;
- European Union, Scottish Government and other grant income awarded to fund specific projects;
- other income recoveries to fund specific projects.

1.4 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.

1.5 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.

1.6 Overheads

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

1.7 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 (*continued*)

1.8 Employee Benefits

Pensions

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

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

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

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

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

Accruals of Holiday Leave

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

1.9 Non Current Assets

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;

Depreciation:

- Depreciation is provided on all Property, Plant and Equipment;
- The Partnership provides depreciation on its Property, Plant and Equipment from the month when it comes into use. 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.

1.10 Government Grants and Other Contributions

• Revenue

Revenue grants and other contributions have been included in the financial statements on an accruals basis. Where such funds remain unapplied at the Balance Sheet date, but approval has been given to carry these funds forward to the next financial year, the funds have been accrued.

The South East of Scotland Transport Partnership (SESTRAN)

1. STATEMENT OF ACCOUNTING POLICIES (*continued*)

1.10 Government Grants and Other Contributions (*continued*)

• Capital

Capital grants and contributions are recognised in the Comprehensive Income and Expenditure Statement, except to the extent there are conditions attached to them that have not been met.

Where there are no conditions attached to capital grants and contributions, these funds are a reconciling item in the Movement in Reserves Statement by way of an adjusting transaction with the capital adjustment account where expenditure has been incurred and the unapplied capital grants account, where expenditure has not been incurred.

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

1.11 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.

1.12 Reserves

Reserves held on the Balance Sheet are classified as either usable or unusable. Unusable reserves cannot be applied to fund expenditure. The Transport Scotland (2019) Act permits the Partnership to operate a usable reserve. In March 2020 a Reserves Policy was approved, permitting the Partnership to hold a general reserve with a minimum value of 5% of annual Core budget. Balances held in excess of 5% require to be reviewed annually in-line with risk/identified commitments. The Partnership also operates a General Fund reserve to manage slippage on approved Project budget delivery.

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;

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.

1.13 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.

The South East of Scotland Transport Partnership (SESTRAN)

1. STATEMENT OF ACCOUNTING POLICIES (*continued*)

1.14 Cash and Cash Equivalents

Cash and cash equivalents include:

- Credit and debit funds held in banks

1.15 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.

1.16 Value Added Tax

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

1.17 Events After the Reporting Period

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

Two types of events can be identified:

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

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

1.18 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.

1.19 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.

1.20 Going Concern

It is considered appropriate to adopt a going concern basis for the preparation of the Annual Accounts, given ongoing Regional Transport Partnership grant funding provided by Scottish Ministers under Section 70 of the Transport (Scotland) Act 2001 and constituent councils obligation to meet the net expenses of the Partnership under Section 3 of the Transport (Scotland) Act 2005.

The South East of Scotland Transport Partnership (SESTRAN)

2. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by the Partnership in comparison with those resources consumed or earned by the Partnership in accordance with general accounting practice. It also shows how this expenditure is allocated for decision making purposes between service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES) (see page 12).

Expenditure and Funding Analysis

	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the CIES
	£'000	£'000	£'000
2019/20			
Core	517	157	674
Projects	267	(97)	170
Net Cost of Services	784	60	844
Other Income and Expenditure			
Government grant	(782)	0	(782)
Constituent council requisitions	(190)	0	(190)
Interest Received	(1)	0	(1)
Net pension interest cost	0	22	22
(Surplus) or deficit on the provision of services	(189)	82	(107)
	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the CIES
	£'000	£'000	£'000
2018/19			
Core	544	174	718
Projects	389	(46)	343
Net Cost of Services	933	128	1,061
Other Income and Expenditure			
Government grant	(782)	0	(782)
Constituent council requisitions	(150)	0	(150)
Interest Received	(1)	0	(1)
Net pension interest cost	0	19	19
(Surplus) or deficit on the provision of services	0	147	147

The South East of Scotland Transport Partnership (SESTRAN)

2. EXPENDITURE AND FUNDING ANALYSIS *(continued)*

Expenditure and Funding Analysis *(continued)*

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts:

	Adjusts. For Capital Purposes £'000	Net Change for Pensions Adjusts. £'000	Other Differences £'000	Total Statutory Adjusts. £'000
2019/20				
Core	140	13	4	157
Projects	(97)	0	0	(97)
Net Cost of Services	43	13	4	60
Other Income and Expenditure				
Net pension interest cost	0	22	0	22
(Surplus) or deficit on the provision of services	43	35	4	82
	Adjusts. For Capital Purposes £'000	Net Change for Pensions Adjusts. £'000	Other Differences £'000	Total Statutory Adjusts. £'000
2018/19				
Core	116	59	(1)	174
Projects	(46)	0	0	(46)
Net Cost of Services	70	59	(1)	128
Other Income and Expenditure				
Net pension interest cost	0	19	0	19
(Surplus) or deficit on the provision of services	70	78	(1)	147

- Adjustments for capital purposes include the removal of depreciation and impairment costs, and the inclusion of capital funded from current revenue.
- Net changes for pensions adjustment relates to the adjustment made for the removal of IAS19 Employee Benefits pension related expenditure and income with the pension contributions.
- Other differences relate to the reversal of the value of entitlement to accrued leave.

The South East of Scotland Transport Partnership (SESTRAN)

2. EXPENDITURE AND FUNDING ANALYSIS *(continued)*

2.2 Segmental Analysis of Income included in Expenditure and Funding Analysis

	Core £'000	Projects £'000	Total £'000
2019/20			
Expenditure			
Employee expenses	334	0	334
Other service expenses	187	1,533	1,720
Total Expenditure	521	1,533	2,054
Income			
Government grants and other contribs.	(4)	(1,266)	(1,270)
Total Income	(4)	(1,266)	(1,270)
Net Cost of Services	517	267	784
	Core £'000	Projects £'000	Total £'000
2018/19			
Expenditure			
Employee expenses	345	0	345
Other service expenses	200	724	924
Total Expenditure	545	724	1,269
Income			
Government grants and other contribs.	(1)	(335)	(336)
Total Income	(1)	(335)	(336)
Net Cost of Services	544	389	933

2.3 Expenditure and Income Analysed by Nature

The Partnership's expenditure and income, as set out within the Comprehensive Income and Expenditure Statement is analysed as follows:

	31st March 2020 £'000	31st March 2019 £'000
Expenditure		
Employee expenses	350	403
Other service expenses	1,649	875
Depreciation, amortisation and impairment	141	119
Interest payments	75	73
Total Expenditure	2,215	1,470
Income		
Fees, charges and other service income	(4)	0
Interest and investment income	(54)	(55)
Income from constituent councils	(190)	(150)
Government grants and other contributions	(2,048)	(1,118)
Total Income	(2,296)	(1,323)
(Surplus) or Deficit on the Provision of Services	(81)	147

The South East of Scotland Transport Partnership (SESTRAN)

3. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2020/21 Code. For 2020/21 the following accounting policy changes that need to be reported relate to:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures,
- Annual Improvements to IFRS Standards 2015–2017 Cycle and
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

The Code does not anticipate that the above amendments will have a material impact on the information provided in the Partnership's Annual Accounts.

4. 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 Annual Accounts are:

- There is high degree of uncertainty about future levels of funding for local government. The Partnership has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Partnership might be impaired as a result of a need to reduce levels of service provision.
- Local Government Pension Scheme - Guaranteed minimum pension (GMP). The interim solution to avoid inequalities between men and women's benefits following the introduction of the Single State Pension in 2016 has resulted in a recalculation of pension liabilities relating to the estimated impact of GMP indexation changes. The increased liability of £4,000 at 31 March 2019 has been reflected in the roll-forward pension liability at 31st March 2020. The increased liability has been reflected as a past service cost (refer to Note 24 Defined Benefit Pension Schemes). This is an estimate which will be revised at the upcoming valuation.
- Local Government Pension Scheme (LGPS) - McCloud judgement. Legislation requires the LGPS to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. The cost management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) were age discriminatory. These cases could have knock on implications for the LGPS (potentially increasing the liabilities). The Partnership's actuary has included an estimate within the pension liability as a past service cost. The allowance has been reduced in the current valuation to reflect the recent proposed changes to eligibility.
- The Goodwin case judgement, in respect of deemed discrimination in spousal transfer on death of a member, may also result in the potential increasing of the pension liabilities. The Partnership's actuary has not included an estimate of the impact of the Goodwin case in the valuation due to the uncertainty of the final outcome. The estimated impact on the Employer's future obligations may be around 0.01% higher.

The South East of Scotland Transport Partnership (SESTRAN)

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

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

The items in the Partnership's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are:

5.1 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

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. For 31 March 2020, it is difficult to comment on how a 'typical' LGPS employer's balance sheet may compare to March 2019. For all LGPS Funds, investment returns have been significantly lower than expected (particularly in the last 2 months of the accounting period) which has served to worsen the balance sheet position. The effect of this will have been at least partly offset by a higher net discount rate which serves to reduce the value placed on the obligations (corporate bond yields are at a similar level to 2019 but inflation expectations are significantly lower).

Under accounting guidance, employers are expected to disclose the sensitivity of the valuation to key assumptions. The following table shows the sensitivity of the results to the changes in the assumptions used to measure the scheme liabilities. Approximate percentage changes and monetary values are shown:

	Approximate % increase to Defined Benefit Obligation %	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	12%	347
0.5% increase in the Salary Increase Rate	3%	89
0.5% increase in the Pension Increase Rate	9%	250

6. EVENTS AFTER THE BALANCE SHEET DATE

The Unaudited Annual Accounts were authorised for issue on 19th June 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no events which took place after 31st March 2020 which would materially affect the 2019/20 Annual Accounts. The impact of the COVID-19 pandemic, which began in March 2020, when Partnership employees moved to remote working, was before the end of the reporting period. It is likely that the impact on the Partnership's Annual Accounts for 2019/20 will be non-adjusting. The short, medium and long-term consequences may give rise to changes in service provision which, if arising, will be considered and reported to the Partnership during 2020/21. Further narrative to the pandemic and impact to the Partnership is referenced within the Management Commentary.

The South East of Scotland Transport Partnership (SESTRAN)

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

2019/20	Usable Reserves	Unusable Reserves			
	General Fund Balance	Capital Adjustment Account	Accumulated Absence Account	Pension Reserve	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and impairment of non-current assets	141	(141)			(141)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Contributions credited to the CIES that have been applied to capital financing	(98)	98			98
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	116			(116)	(116)
Employer's pension contributions and direct payments to pensioners payable in the year	(81)			81	81
Adjustments primarily involving the Accumulated Absence Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	4		(4)		(4)
Total Adjustments	82	(43)	(4)	(35)	(82)

The South East of Scotland Transport Partnership (SESTRAN)

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

(continued)

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.

2018/19	Usable Reserves	Unusable Reserves			
	General Fund Balance	Capital Adjustment Account	Accumulated Absence Account	Pension Reserve	Movement in Unusable Reserve
	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Charges for depreciation and impairment of non-current assets	119	(119)			(119)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (CIES)					
Contributions credited to the CIES that have been applied to capital financing	(49)	49			49
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	134			(134)	(134)
Employer's pension contributions and direct payments to pensioners payable in the year	(56)			56	56
Adjustments primarily involving the Accumulated Absence Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)		1		1
Total Adjustments	147	(70)	1	(78)	(147)

The South East of Scotland Transport Partnership (SESTRAN)

8. TRANSFERS TO/FROM EARMARKED RESERVES

In accordance with the provisions of the Transport Scotland (2019) Act, the Partnership has agreed a Reserves Policy. An earmarked balance of £150,000 has been established to meet slippage on project delivery from 2019/20 to 2020/21.

9. FINANCING AND INVESTMENT INCOME

	2019/20 £'000	2018/19 £'000
Interest income on plan assets	(53)	(54)
Interest Received	(1)	(1)
Pensions interest cost	75	73
	<hr/>	<hr/>
	21	18
	<hr/>	<hr/>

10. TAXATION AND NON SPECIFIC GRANT INCOME

	2019/20 £'000	2018/19 £'000
Government Grant	(782)	(782)
Constituent Council Requisitions	(190)	(150)
	<hr/>	<hr/>
	(972)	(932)
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The South East of Scotland Transport Partnership (SESTRAN)

11. PROPERTY, PLANT AND EQUIPMENT

11.1 Movements on balances:

Movements in 2019/20	Vehicles Plant and Equipment £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
Cost or Valuation			
At 1st April 2019	827	0	827
Additions	28	70	98
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(64)	0	(64)
At 31st March 2020	791	70	861
Accumulated Depreciation			
At 1st April 2019	(475)	0	(475)
Depreciation charge	(128)	0	(128)
Depreciation written out to the Surplus/Deficit on the Provision of Services	51	0	51
At 31st March 2020	(552)	0	(552)
Net Book Value			
At 31st March 2020	239	70	309

The South East of Scotland Transport Partnership (SESTRAN)

11. PROPERTY, PLANT AND EQUIPMENT (*continued*)

11.2 Movements on balances:

Comparative Movements in 2018/19

Cost or Valuation	Vehicles Plant and Equipment £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
At 1st April 2018	778	0	778
Additions	49	0	49
At 31st March 2019	827	0	827
Accumulated Depreciation			
At 1st April 2018	(356)	0	(356)
Depreciation charge	(119)	0	(119)
At 31st March 2019	(475)	0	(475)
Net Book Value			
At 31st March 2019	352	0	352

11.3 Depreciation

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

- Vehicles, plant and equipment: 4 - 5 years

The Partnership provides depreciation on its Property, Plant and Equipment from the month when it comes into use.

11.4 Capital Commitments

The Partnership has no capital commitments for 2020/21.

The South East of Scotland Transport Partnership (SESTRAN)

12. FINANCIAL INSTRUMENTS

12.1 Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Partnership and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Partnership.

The Partnership's financial liabilities held during the year comprised:

- Trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Partnership that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Partnership.

The Partnership's financial assets held during the year comprised:

- Cash in hand;
- Cash and cash equivalents (Loans and receivables). The Partnership maintains its funds as part of the City of Edinburgh Council's group of bank accounts. Any cash balance is effectively lent to the Council, but is offset by expenditure undertaken by the City of Edinburgh Council on behalf of the Partnership. Interest is given on month end net indebtedness balances between the Council;
- Trade receivables for goods and services provided.

12.2 Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories

	Current	
	31st March	31st March
	2020	2019
	£'000	£'000
Trade creditors	539	557

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

	Current	
	31st March	31st March
	2020	2019
	£'000	£'000
Loans and receivables	758	462
Trade debtors	9	156
	767	618

The South East of Scotland Transport Partnership (SESTRAN)

12. FINANCIAL INSTRUMENTS *(continued)*

12.3 Financial Instruments - Fair Values

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:

Financial Liabilities	31 March 2020		31 March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Trade creditors	539	539	557	557
Financial Assets	31 March 2020		31 March 2019	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and receivables	758	758	462	462
Trade debtors	9	9	156	158
	<hr/>	<hr/>	<hr/>	<hr/>
	767	767	618	620

12.4 Income, Expenses, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	31st March 2020 £'000	31st March 2019 £'000
Total expense and income in Surplus or Deficit on the Provision of Services:		
Interest Income	1	1

13. DEBTORS

	31st March 2020 £'000	31st March 2019 £'000
Debtors:		
Central government bodies	504	27
Other local authorities	7	4
HM Customs and Excise - VAT	29	24
Other entities and individuals	233	459
	<hr/>	<hr/>
	773	514

The South East of Scotland Transport Partnership (SESTRAN)

14. PROVISION FOR BAD DEBTS

	31st March 2020 £'000	31st March 2019 £'000
Cost or Valuation		
Opening Balance	0	0
Provision made during year	0	0
Unused amounts reversed during the year	0	0
Closing Balance	0	0

15. CASH AND CASH EQUIVALENTS

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

	31st March 2020 £'000	31st March 2019 £'000
Bank account	151	279
	151	279

16. CREDITORS

	31st March 2020 £'000	31st March 2019 £'000
Central government bodies	(25)	0
Other local authorities	(89)	(5)
Other entities and individuals	(608)	(543)
Employee costs	(23)	(61)
	(745)	(609)

17. USABLE RESERVES

	31st March 2020 £'000	31st March 2019 £'000
17.1 Unallocated General Fund Reserve	12	0
17.2 Earmarked Balance - Project Budget slippage	177	0
	189	0

The South East of Scotland Transport Partnership (SESTRAN)

18. UNUSABLE RESERVES

		31st March 2020 £'000	31st March 2019 £'000
18.1	Capital Adjustment Account	309	352
18.2	Pension Reserve	(661)	(867)
18.3	Accumulated Absence Account	(10)	(6)
		<u>(362)</u>	<u>(521)</u>

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.

	2019/20 £'000	2018/19 £'000
Balance at 1st April	352	422
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	(141)	(119)
• Charges for revaluation of non-current assets	0	0
	<u>211</u>	<u>303</u>
Net written out amount of the cost of non-current assets consumed in year	211	303
Capital financing applied in the year:		
• Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	98	49
	<u>309</u>	<u>352</u>
Balance at 31st March	309	352

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.

The South East of Scotland Transport Partnership (SESTRAN)

18. UNUSABLE RESERVES *(continued)*

18.2 Pension Reserve *(continued)*

	2019/20 £'000	2018/19 £'000
Balance at 1st April	(867)	(662)
Remeasurements of the net defined benefit liability	241	(127)
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.	(116)	(134)
Employer's pension contributions and direct payments to pensioners payable in the year.	81	56
Balance at 31st March	<u>(661)</u>	<u>(867)</u>

18.3 Accumulated Absence Account

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

	2019/20 £'000	2018/19 £'000
Balance at 1st April	(6)	(7)
Settlement or cancellation of accrual made at the end of the preceding year	6	7
Amounts accrued at the end of the current year	(10)	(6)
Balance at 31st March	<u>(10)</u>	<u>(6)</u>

19. MEMBERS EXPENSES

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

	2019/20 £'000	2018/19 £'000
Expenses	<u>0</u>	<u>1</u>
	<u>0</u>	<u>1</u>

The South East of Scotland Transport Partnership (SESTRAN)

20. EXTERNAL AUDIT COSTS

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

	2019/20 £'000	2018/19 £'000
Fees payable in respect of:		
• external audit services carried out by the appointed auditor for the year	11	10
	<u>11</u>	<u>10</u>

21. GRANT INCOME

The Partnership credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

	2019/20 £'000	2018/19 £'000
Credited to Taxation and Non Specific Grant Income		
Scottish Government - Revenue Grant	(782)	(782)
Constituent Council Requisitions (Note 22.3)	(190)	(150)
	<u>(972)</u>	<u>(932)</u>
Credited to Services		
EU Grant - Social Car	0	(5)
EU Grant - Regio Mob	(3)	(24)
EU Grant - Sharenorth	(12)	(27)
EU Grant - RTPi		0
EU Grant - Surflogh	(30)	(29)
EU Grant - e-Bikes		(24)
EU Grant - Bling	(16)	(2)
EU Grant - Primaas	(11)	0
Contribution - Transport Scotland		(46)
Contribution - City of Edinburgh Council	(2)	(2)
Contribution - East Lothian Council	(2)	(2)
Contribution - Fife Council	(2)	(2)
Contribution - Scottish Borders Council	(8)	(1)
Contribution - Scottish Enterprise	(125)	0
Contribution - West Lothian Council		0
Contribution - HITRANS	(4)	(2)
Contribution - NESTRANS	(3)	(3)
Contribution - SUSTRANS	(163)	(110)
Contribution - SWESTRANS		0
Contribution - TACTRAN	(3)	(4)
Contribution - Transport Scotland	(843)	0
Contribution - ZETRANS		0
	<u>(1,227)</u>	<u>(283)</u>

The South East of Scotland Transport Partnership (SESTRAN)

22. 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.

22.1 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 21.

22.2 Members

Members of the Partnership have direct control over the Partnership's financial and operating policies. The total of members' expenses paid by the Partnership in 2019-20 is shown in Note 19.

22.3 Other Parties

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

	2019/20 £'000	2018/19 £'000
• Revenue Expenditure - Support Services		
City of Edinburgh Council - Financial Services/ Clerking	44	42
Falkirk Council - HR Services	0	2
	<hr/> 44	<hr/> 44
• Revenue Expenditure - Other		
City of Edinburgh Council	1	1
East Lothian Council	108	0
Midlothian Council	18	0
Newcastle City Council	14	13
NHS Lothian	22	46
Scottish Government	21	17
	<hr/> 184	<hr/> 77

The South East of Scotland Transport Partnership (SESTRAN)

22. RELATED PARTIES *(continued)*

22.3 Other Parties *(continued)*

	2019/20 £'000	2018/19 £'000
• Revenue Income - Requisitions		
Clackmannanshire Council	(6)	(5)
East Lothian Council	(13)	(10)
City of Edinburgh Council	(61)	(48)
Falkirk Council	(19)	(15)
Fife Council	(44)	(35)
Midlothian Council	(11)	(9)
Scottish Borders Council	(14)	(11)
West Lothian Council	(22)	(17)
	<hr/> (190) <hr/>	<hr/> (150) <hr/>
• Revenue Income - Interest on Revenue Balances		
City of Edinburgh Council	(1)	(1)
	<hr/> (1) <hr/>	<hr/> (1) <hr/>
• Revenue Income - Other		
Constituent Councils	(40)	(16)
City of Edinburgh Council	(2)	(2)
East Lothian Council	(2)	(2)
Fife Council	(2)	(2)
Scottish Borders Council	(8)	(1)
Scottish Enterprise	(125)	0
Transport Scotland	(843)	(46)
	<hr/> (1,022) <hr/>	<hr/> (69) <hr/>

The South East of Scotland Transport Partnership (SESTRAN)

22. RELATED PARTIES *(continued)*

22.3 Other Parties *(continued)*

The following represents amounts due to/(from) the Partnership at 31 March 2020, with its related parties.

CREDITORS	2019/20 £'000	2018/19 £'000
• Creditors - Related Parties (Revenue Grants)		
Clackmannanshire Council	(80)	0
Edinburgh & Lothians Greenspace Trust	(35)	0
NHS Lothian	(58)	(46)
Scottish Enterprise	(25)	(150)
West Lothian Council	(8)	0
	<u>(206)</u>	<u>(196)</u>
• Creditors - Related Parties (Other)		
City of Edinburgh Council	(1)	(5)
Falkirk Council	0	(2)
Constituent Councils	0	(32)
	<u>(1)</u>	<u>(39)</u>
• Creditors - Other Parties	<u>(538)</u>	<u>(564)</u>
Total Creditors	<u>(745)</u>	<u>(799)</u>
DEBTORS		
• Debtors - Related Parties (Revenue Grants/ Other)		
Network Rail	0	4
Scottish Borders Council	7	0
Scottish Enterprise	0	150
Stirling Council	0	4
Transport Scotland	504	26
	<u>511</u>	<u>184</u>
• Debtors - Other Parties	<u>262</u>	<u>330</u>
Total Debtors	<u>773</u>	<u>514</u>

The South East of Scotland Transport Partnership (SESTRAN)

23. LEASES

Operating Leases

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

The Partnership signed a new MOTO and is permitted to occupy the space from 8th February 2019 to 7th February 2022 (the Prescribed Term) and so on until ended by either party giving notice under the terms of the CEOA. Both parties will, upon provision of not less than 1 year's prior written notice, have the ability to break this agreement.

During 2019/20, the Partnership entered into a contract with Henry Howard Finance Group to lease eight Apple iPhones for staff use. The Partnership has the option to terminate the lease under no penalty if at least three months written notice is given.

During 2019/20, the Partnership entered into a contract with Ricoh UK Ltd to lease an office printer. The minimum term for this contract is 36 months before the Partnership has the option to terminate the lease under no penalty.

The Partnership's expenditure on lease payments during 2019/20 was £18,000 (2018/19 £27,000)

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

	2019/20 £'000	2018/19 £'000
• Not later than 1 year	18	18
• Over 1 year	1	0
	<hr/> 19	<hr/> 18

The Partnership has no other material operational leases.

24. DEFINED BENEFIT PENSION SCHEMES

24.1 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 1.8, 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)

24. DEFINED BENEFIT PENSION SCHEMES (continued)

24.2 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:

	2019/20 £000	2019/20 £000	2018/19 £000	2018/19 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	109		85	
Past service costs	<u>(15)</u>		<u>30</u>	
		94		115
<i>Financing and investment income:</i>				
Net interest expense		<u>22</u>		<u>19</u>
Total post employee benefit charged to the surplus on the provision of services		116		134
<i>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</i>				
Remeasurement of the net defined liability, comprising:				
Return on plan assets, excluding the amount included in the net interest expense above	146		(137)	
Actuarial gains and (losses) arising on changes in financial assumptions	(369)		264	
Actuarial gains and (losses) arising on changes in demographic assumptions	0		0	
Other experience	<u>(18)</u>		<u>0</u>	
		<u>(241)</u>		<u>127</u>
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		<u>(125)</u>		<u>261</u>
Movement in Reserves Statement				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		<u>35</u>		<u>78</u>
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		81		56
		<u>81</u>		<u>56</u>

The South East of Scotland Transport Partnership (SESTRAN)

24. DEFINED BENEFIT PENSION SCHEMES *(continued)*

24.3 Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2019/20 £'000	2018/19 £'000
Fair value of employer assets	2,149	2,212
Present value of funded liabilities	(2,810)	(3,079)
Present value of unfunded liabilities	0	0
Net liability arising from defined benefit obligation	(661)	(867)

24.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

	2019/20 £'000	2018/19 £'000
Opening fair value of scheme assets	2,212	2,016
Interest income	53	54
Remeasurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	(146)	137
Contributions from employer	81	56
Contributions from employees into the scheme	18	17
Benefits paid	(69)	(68)
Unfunded benefits paid	0	0
Closing fair value of scheme assets	2,149	2,212

Reconciliation of Present Value of the Scheme Liabilities

	2019/20 £'000	2018/19 £'000
Present value of funded liabilities	(3,079)	(2,678)
Present value of unfunded liabilities	0	0
Opening balance at 1st April	(3,079)	(2,678)
Current service cost	(109)	(85)
Interest cost	(75)	(73)
Contributions from employees into the scheme	(18)	(17)
Remeasurement gain / (loss):		
Change in demographic assumptions	0	0
Change in financial assumptions	369	(264)
Other experience	18	0
Past service cost	15	(30)
Benefits paid	69	68
Unfunded benefits paid	0	0
Closing balance at 31st March	(2,810)	(3,079)

The South East of Scotland Transport Partnership (SESTRAN)

24. DEFINED BENEFIT PENSION SCHEMES *(continued)*

24.5 Fair Value of Employer Assets

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

	2019/20		2018/19	
	£'000	%	£'000	%
Equity Securities:				
Consumer *	205	10	235	11
Manufacturing *	310	14	272	12
Energy and Utilities *	137	6	167	8
Financial Institutions *	140	7	186	8
Health and Care *	149	7	120	5
Information technology *	93	4	72	3
Other *	157	7	216	10
Sub-total Equity Securities	1,190		1,268	
Debt Securities:				
Corporate Bonds (investment grade) *	36	2	0	0
Corporate Bonds (investment grade)	79	4	0	0
UK Government *	132	6	225	10
Sub-total Debt Securities	247		225	
Private Equity:				
All	19		30	
Sub-total Private Equity	19	1	30	1
Real Estate:				
UK Property *	25	1	0	0
UK Property	116	5	150	7
Overseas Property	2	0	0	0
Sub-total Real Estate	143		150	
Investment Funds and Unit Trusts:				
Equities *	26	1	22	1
Bonds *	9	0	0	0
Bonds	0	0	56	3
Infrastructure	302	14	275	12
Sub-total Investment Funds and Unit Trusts	338		353	
Derivatives:				
Foreign Exchange *	4	0	0	0
Sub-total Derivatives	4		0	
Cash and Cash Equivalents				
All *	208	10	186	8
Sub-total Cash and Cash Equivalents	208		186	
Total Fair Value of Employer Assets	2,149		2,212	

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

The South East of Scotland Transport Partnership (SESTRAN)

24. DEFINED BENEFIT PENSION SCHEMES *(continued)*

24.6 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2020 were those from the beginning of the year (i.e. 31 March 2019) and have not been changed during the year.

The principal assumptions used by the actuary in the calculations are:

Investment returns

- Total returns for the period from 1 April 2019 to 31 March 2020 (4.2%)

	2019/20	2018/19
Mortality assumptions - longevity at 65 for current pensioners:		
• Males	21.7 years	21.7 years
• Females	24.3 years	24.3 years
Mortality assumptions - longevity at 65 for future pensioners:		
• Males	24.7 years	24.7 years
• Females	27.5 years	27.5 years
Pension increase rate	1.9%	2.5%
Salary increase rate (see below)	3.5%	4.2%
Discount rate	2.3%	2.4%

Estimation of defined benefit obligations is sensitive to the actuarial assumptions set out above. In order to quantify the impact of a change in the financial assumptions used, the Actuary has calculated and compared the value of the scheme liabilities as at 31 March 2020 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, the Fund's Actuary has estimated that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

The South East of Scotland Transport Partnership (SESTRAN)

24. DEFINED BENEFIT PENSION SCHEMES *(continued)*

24.7 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2021

	Assets £000	Obligations £000	Net (liability) / asset £000	% of pay
Projected current service cost	0	(87)	(87)	(42.7%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(87)	(87)	(42.7%)
Interest income on plan assets	50	0	50	22.2%
Interest cost on defined benefit obligation	0	(65)	(65)	(31.0%)
Total Net Interest Cost	50	(65)	(15)	(8.8%)
Total included in Profit or Loss	50	(152)	(102)	(51.5%)

The Partnership's estimated contribution to Lothian Pension Fund for 2020/21 is £60,000.

25. 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 Partnership;
- 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. As 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.

25. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk

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

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

Refinancing risk

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

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

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

Market risk

Interest rate risk

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

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

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

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

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

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

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

Price risk

The Partnership does not invest in equity shares.

Foreign Exchange risk

As at 31 March 2020, the Partnership had financial assets of £102,000 subject to foreign exchange risk.

The foreign exchange loss or gain on these financial assets cannot be determined until 2020/21, 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.

The South East of Scotland Transport Partnership (SESTRAN)

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of The South East of Scotland Transport Partnership for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the body as at 31 March 2020 and of its income and expenditure 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 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is 4 years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Treasurer and Partnership for the financial statements

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

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

The Partnership is responsible for overseeing the financial reporting process.

The South East of Scotland Transport Partnership (SESTRAN)

INDEPENDENT AUDITOR'S REPORT (Contd.)

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual accounts

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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

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

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

The South East of Scotland Transport Partnership (SESTRAN)

INDEPENDENT AUDITOR'S REPORT (Contd.)

Conclusions on wider scope responsibilities

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

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Karen Jones, for and on behalf of Azets Audit Services

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: _____

Financial Planning 2021/22 to 2022/23

1. Introduction

- 1.1** This report provides an update to Performance and Audit Committee on the financial planning being progressed for the Partnership for the 2021/22 revenue budget, with indicative financial plans for 2022/23.

2. Main Report

Scottish Government Budget 2021-22

- 2.1** The Scottish Government is anticipated to announce the Local Government Finance Settlement for 2021/22 in January 2021. A one-year funding announcement is anticipated.

Financial Planning 2021 to 2023

- 2.2** The COVID-19 pandemic is presenting unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. Core areas of service delivery have been suspended or substantially reduced, systems and processes have been amended to support remote working, arrangements for governance, decision making and performance management have been adapted, and many organisations are forecasting large operating deficits due to loss of income and/or additional cost pressures. It is uncertain how long these challenges will persist.
- 2.3** Given these challenges, revenue budget planning has been progressed by updating the three-year planning assumptions presented for review by the Partnership on 6th December 2019. Planning assumptions have been updated for:
- 2.3.1** estimated staff recharges to projects in 2021/22 and 2022/23. Staff recharges to projects are forecast to be £119,000, a decrease of £32,000 from 2020/21. Recharges are forecast to reduce by a further £64,000 to £55,000 in 2022/23;
- 2.3.2** pay award, estimated at 3% (£16,130) and pay increment provision (£4,588) in 2021/22 and a further £16,058 (pay award) and £4,725 (increment provision) in 2022/23;
- 2.3.3** No change in employer's Pension Fund contribution rate and fixed contribution rate, pending confirmation of the outcome of the 2020 Actuarial Valuation;
- 2.3.4** other budget planning assumptions required for 2021/22 and 2022/23 to reflect current activity.

- 2.4** An analysis of the indicative core revenue budget for 2021/22 and 2022/23 is shown in Appendix 1. Indicative Projects activity for 2021/22 is shown in Appendix 2(a). Indicative Projects activity for 2022/23 is shown in Appendix 2(b).
- 2.5** The principal cost increase assumptions are summarised below:

	2021/22	2022/23
Expenditure		
Employee pay award (3% per annum)	£16,130	£16,058
Employee increments estimates	£4,588	£4,725
Funding		
Scottish Government and Council Requisition change	£0	£0

- 2.6** Indicative financial planning for both 2021/22 and 2022/23 is based on the Partnership receiving £782,000 grant from the Scottish Government and £190,000 from constituent council requisitions. This would represent a stand-still in Council requisitions. External income of £490,000 is anticipated to fund 34% of indicative expenditure in 2021/22. £362,000 of external income is anticipated to fund 27% of indicative expenditure in 2022/23.
- 2.7** Scottish Government grant funding has remained fixed at £782,000 since 2011/12. Council requisitions reduced by 5% in 2017/18 from £200,000 to £190,000. Appendix 3 shows all budgeted expenditure and income since 2016/17.
- 2.8** For reference, 2020/21 Council requisitions are shown in the table below:

Council	Requisition
Clackmannanshire	£6,116
East Lothian	£12,589
Edinburgh	£61,700
Falkirk	£19,080
Fife	£44,255
Midlothian	£10,869
Scottish Borders	£13,717
West Lothian	£21,674
Total	£190,000

- 2.9** A risk assessment for 2021/22 is included at Appendix 4.

3 Next Steps

- 3.1** Following review by Performance and Audit Committee, a report on financial planning for 2021/22 to 2022/23 will be presented to the Partnership Board on 20th November 2020 for review.
- 3.2** A revenue budget for 2021/22 will be presented to the Partnership Board for approval in March 2021.

4 Recommendation

- 4.1** Performance and Audit Committee is recommended to:

- 4.1.1** note the update on the financial planning assumptions being progressed for the Partnership for the 2021/22 revenue budget and indicative financial plans for 2022/23;
- 4.1.2** advise of any comments on the financial planning assumptions for the 2021/22 revenue budget and indicative financial plans for 2022/23, prior to a report on the revenue budget being presented to the Partnership Board on 20th November 2020.

Hugh Dunn

Treasurer

6th November 2020

- Appendix** Appendix 1 – Indicative Core Revenue Budget 2021 to 2023
- Appendix 2(a) - Projects - Indicative Activity 2021-22
- Appendix 2(b) - Projects - Indicative Activity 2022-23
- Appendix 3 - SEStran Budget 2016/17 – 2020/21 and 2021/22 to 2022/23 (indicative)
- Appendix 4 - Risk Assessment 2021/22

Contact iain.shaw@edinburgh.gov.uk

Policy Implications	There are no policy implications arising as a result of this report.
Financial Implications	There are no financial implications arising.
Equalities Implications	There are no equality implications arising as a result of this report.
Climate Change Implications	There are no climate change implications arising as a result of this report.

Indicative Core Revenue Budget 2021 to 2023

Appendix 1

	Approved Budget 2020/21 £000	Indicative Budget 2021/22 £000	Indicative Budget 2022/23 £000
Employee Costs			
Salaries	386	396	407
National Insurance	42	44	45
Pension Fund	101	127	130
Recharges	(151)	(119)	(55)
Training & Conferences	10	10	10
Interviews & Advertising	2	2	2
	390	460	539
Premises Costs	16	17	17
Transport	9	8	8
Supplies and Services			
Communications & Computing	48	48	48
Hosted ICT Services – Novus FX	42	42	42
Printing, Stationery & General Office Supplies	6	7	7
Insurance	4	6	6
Equipment, Furniture & Materials	1	1	1
Miscellaneous Expenses	4	3	3
	105	107	107
Support Services			
Finance	30	30	30
Legal Services / HR	7	7	7
	37	37	37
Corporate & Democratic			
Clerks Fees	12	12	12
External Audit Fees	11	11	11
Members Allowances and Expenses	1	1	1
	24	24	24
Interest	0	0	0
Total Gross Expenditure	581	653	732
Funding to be confirmed:			
Scottish Government Grant	(391)	(463)	(542)
Council Requisitions	(190)	(190)	(190)
Total Funding to be confirmed:	(581)	(653)	(732)

Projects - Indicative Activity 2021-22
Appendix 2(a)

	2020/21	2021-22			
Service	Approved Budget £'000	Gross Expenditure £'000	Income £'000	Net Expenditure £'000	Activity
Sustainable Travel	40	72	0	72	
Urban Cycle Network	0	100	(100)	0	100% funded by Sustrans.
Urban Cycling Officer	32	34	0	34	Cycling Scotland representation
Active Travel Fund	0	200	(200)	0	
RTS Development	141	82	0	82	Re-draft of Regional Transport Strategy – external expertise
GO e-BIKE	38	20	0	20	
Thistle Assistance	0	30	(24)	6	
Consultancy support -COVID-19	0	25	0	25	
Equalities Action Forum	0	3	0	3	
EU – Funded Projects					
Surflogh	25	50	(25)	25	Ends April 2022
Bling	19	26	(13)	13	Ends December 2022
Primaas	9	60	(51)	9	Phase 1 ends January 2022 (main activities)
Connect	24	34	(17)	17	Ends February 2023
Local Rail Development Fund					
Leith Docks	0	55	(55)	0	
Real-Time Passenger Information System (RTPI)					
Maintenance	50	18	0	18	Reduction in cost, following contract re-procurement
Income – screens	(10)	0	(5)	(5)	Bus Operators income
Total	391	809	(490)	319	

Projects - Indicative Activity 2022-23
Appendix 2(b)

	2021/22	2022-23			
Service	Indicative Budget £'000	Gross Expenditure £'000	Income £'000	Net Expenditure £'000	Activity
Sustainable Travel	72	102	0	102	
Urban Cycle Network	0	100	(100)	0	100% funded by Sustrans.
Urban Cycling Officer	34	35	0	35	Cycling Scotland representation
Active Travel Fund	0	200	(200)	0	
RTS Development	82	20	0	20	Re-draft of Regional Transport Strategy – external expertise
GO e-BIKE	20	10	0	10	
Thistle Assistance	6	30	(24)	6	
Consultancy support -COVID-19	25	0	0	0	
Equalities Action Forum	3	10	0	10	
EU – Funded Projects					
Surflogh	25	2	(1)	1	Ends April 2022
Bling	13	26	(13)	13	Ends December 2022
Primaas	9	10	(8)	2	Phase 1 ends January 2022 (main activities)
Connect	17	32	(16)	16	Ends February 2023
Local Rail Development Fund					
Leith Docks	0	0	0	0	
Real-Time Passenger Information System (RTPI)					
Maintenance	18	25	0	25	Additional maintenance anticipated
Development	0	0	0	0	
Income – screens	(5)	0	0	0	Bus Operators income
Total	319	602	(362)	240	

SEStran Budget 2016/17 – 2020/21 and 2021/22 to 2022/23 (indicative)

	16/17	17/18	18/19	19/20	20/21	21/22 (indicative)	22/23 (indicative)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core	551	478	531	584	581	653	732
Projects	725	510	614	590	1,030	791	577
RTPI	344	339	108	100	50	18	25
Total Budget	1,620	1,327	1,253	1,274	1,661	1,462	1,334
External Funding							
EU Grants	152	95	139	82	142	106	38
Other income	486	260	142	220	547	384	324
Total External Funding	638	355	281	302	689	490	362
Scottish Government	782	782	782	782	782	782	782
Council Requisition	200	190	190	190	190	190	190
Total Funding	1,620	1,327	1,253	1,274	1,661	1,462	1,334

Risk Description	Existing Controls
<p>Pay awards The indicative budget makes provision for a pay award of up to 3% in 2021/22. An uplift of 1% in pay award equates to an increase of £5,377.</p>	<p>Alignment with Scottish Local Government pay award.</p>
<p>Staff recharges – Projects The indicative budget assumes that £119,000 of staff time can be recharged to Projects. There is a risk this may not be achievable.</p>	<p>Any shortfall in employee cost recharges will be offset by a corresponding reduction in Projects Budget expenditure.</p>
<p>Inflation There is a risk that the indicative budget does not adequately cover price inflation and increasing demand for services.</p>	<p>Allowance made for specific price inflation. Budgets adjusted in line with current cost forecasts.</p>
<p>Delays in payment of grant by the EU - results in additional short-term borrowing costs.</p>	<p>SEStran grant claims for EU funded projects are submitted in compliance with requirements of EU processes to ensure minimal delay in payment. Ongoing monitoring of cash flow will be undertaken to manage exposure to additional short-term borrowing costs.</p>
<p>Pension Fund Contributions The deficit on the staff pension fund could lead to increases in the employer's pension contribution.</p>	<p>Following Lothian Pension Fund's Triennial Actuarial Review in 2017, Partnership contribution rates are confirmed to 2020/21. Planning assumptions will be updated when the outcome of the 2020 Actuarial Review is available.</p>
<p>Funding Reductions Reduction in funding from Scottish Government and/or council requisitions.</p> <p>There is a risk that current levels of staffing cannot be maintained due to funding constraints and that the Partnership will incur staff release costs.</p>	<p>Continue to seek to source external funding.</p> <p>Recruitment control and additional sources of external funding for activities aligned to the Partnership's objectives to supplement resources.</p>

Mid Term Review Treasury Management Activity

1 Purpose of report

- 1.1** The purpose of this report is to review the investment activity undertaken on behalf of the Partnership during the first half of the 2020/21 Financial Year.

2 Background

- 2.1** In accordance with Investment Regulations in Scotland the Partnership adopted the appropriate Codes of Practice and approved an Annual Investment Strategy at its meeting on the 6th March 2020.

3 Mid Term Review - Annual Investment Strategy

- 3.1** As approved in the Partnership's Investment Strategy, the Partnership continues to maintain its bank account as part of the City of Edinburgh Council's group of bank accounts. Any cash balance is effectively lent to the Council and is offset by expenditure undertaken by the City of Edinburgh Council on behalf of the Board. Interest is given (charged) on the month-end net indebtedness balance between the Council and the Board, in accordance with the former Local Authority (Scotland) Accounts Advisory Committee's (LASAAC) Guidance Note 2 on Interest on Revenue Balances (IoRB). The methodology will continue to be used until new guidance on the treatment of interest charges is made available. In line with recent short-term interest rates, the investment return/charge continues to be low, but the Board gains security from its counterparty exposure being to the City of Edinburgh Council. Net end of month balances for the first half of the year were:

	Balance due to SEStran(+ve)/ due by SEStran (-ve)
Opening Balance	-£11,926.69
30 April	-£250,906.58
31 May	£365,847.62
31 June	-£490,382.45
31 July	£307,968.03
31 August	£356,087.21
30 September	£339,361.85

- 3.2** Although interest is not calculated until March, in line with the withdrawn guidance note, the interest rate averaged -0.056% during the first half of the financial year. If the interest rate remains negative, the Partnership won't be charged for positive or negative balances. Interest will be floored at zero.

4 Recommendation

- 4.1** It is recommended that the Performance and Audit Committee notes the investment activity undertaken on behalf of the Partnership;
- 4.2** Refer the report to the Partnership Board for noting.

Hugh Dunn
Treasurer

Appendix None

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

Risk Framework

1. INTRODUCTION

- 1.1 The purpose of this report is to provide the Committee with its six-monthly update on the risk register, which is an integral part of SEStran's Risk Management Framework.

2. BACKGROUND

- 2.1 SEStran has been using a Risk Register to record, report and evaluate risks within the organisation since May 2008. All risks are reviewed regularly by the relevant staff and Appendix 1 to this report is the latest version SEStran Risk Register, highlighting the key risks.
- 2.2 The Committee should note that all changes made to the register are highlighted in red. Committee will note in particular that a specific risk has been added in the light of the current pandemic.

3. RECOMMENDATIONS

- 3.1 The Committee are asked to comment on the contents of the report; and
- 3.2 Note that a final version of the Risk Register will be presented to Partnership Board for noting.

Angela Chambers
Business Manager
November 2020

Appendix 1: SEStran Risk Register

Policy Implications	None
Financial Implications	As highlighted in the register.
Equalities Implications	None
Climate Change Implications	None

Risk Number	Risk Detail	Risk Category	Gross Risk Assessment				Planned Response/Mitigation	Net Risk Assessment					Risk After Mitigation/Appetite for Risk	Date and Owner			
			Probability	Impact	Risk Score			Probability	Impact	Risk Score							
R001	Policy Appraisal: Poor Quality Lack of consultation	Strategic	1	Remote	3	Moderate	3	Low	Advised by Government of relevant policy changes and Partnership Director and Officers regularly looking out for further policies and responding accordingly. Consultative forums also enable greater visibility and integration of local policies into regional strategy.	1	Remote	2	Minor	2	Low	Low. Partnership staff also continue to monitor their networks for relevant policy discussions. RTS re-write process underway. Tolerate	June 2020. November 2020 Partnership Director
R002	Project Appraisal and Delivery: Incomplete or of poor quality Late Delivery	Reputational	2	Unlikely	4	Major	8	Medium	Monthly monitoring and management intervention by the project officer and oversight by the Programmes Manager.	2	Unlikely	3	Moderate	6	Low	Low. Regular monitoring and management/project team meetings provides all across the organisation with a clear view of progress and expenditure against budget. Regular reports presented to P&A Committee and Partnership Board, which have been revised to provide focused monitoring template. Tolerate	June 2020. November 2020 Programmes Manager
R003	Digital/IT: Server failure Comms failure: phones Website	System and Technology	3	Possible	4	Major	12	Medium	SEStran has an up-to-date Management Plan for Business Continuity. IT/Website maintained under contract. Both proactively managed by third parties.	3	Possible	2	Minor	6	Low	Low. Contracted IT consultants deliver IT services. Website contract includes security updates. Robust Information Security Policy in place with regular monitoring reports. GDPR compliant and Cyber Essentials Plus Accreditation achieved. Tolerate	September 2020. November 2020 Business Manager
R004	Reputation: Regard by the public and stakeholders. Negative or inaccurate media coverage leading to misrepresentation of SEStran position	Reputational	3	Possible	3	Moderate	9	Medium	Good relationships with media. Quick response to negative or inaccurate coverage. Board members regularly updated on SEStran work successes and issues. Proactive placement of copy. Agreed broad media positions. Availability of Spokesperson - Senior staff only. No unauthorised media statements.	3	Possible	2	Minor	6	Low	Low. Partnership staff and Board Members continue to promote and advocate activities via speaking, writing or wider networking. Continue to work closely with regional partners Tolerate	June 2020. November 2020 Partnership Director
R005	Statutory Duties: Failure to adhere to duties described in legislation and related documentation	Legal and Regulatory	1	Remote	4	Major	4	Low	Quick response to negative or inaccurate coverage. Board members regularly updated on SEStran work successes and issues.	1	Remote	2	Minor	2	Low	Low. Regular monitoring and programming of statutory duties is undertaken by the Partnership Director, Senior Partnership Manager and Business Manager. Audited by third parties. Tolerate	November 2020 Partnership Director
R006 6.0	Financial: Significant deviation from budgeted spend	Financial	2	Unlikely	3	Moderate	6	Low	The Partnership's Financial Rules do not permit the Partnership's spending (whether revenue or capital) to exceed its available budget. Budget and spend is monitored on a monthly basis by SEStran officers, using financial information provided by City of Edinburgh Council (CEC) through the Partnership's Financial Services Service Level Agreement with CEC and supported by qualified accounting staff of CEC. Action is taken by Partnership officers to develop alternative savings measures, including options for development of contingency arrangements, if required and subject to approval by the Partnership. The Partnership's Financial Rules require reporting of financial performances to the Partnership Board on a quarterly basis.	1	Remote	2	Minor	2	Low	Low. Transport (Scotland) Act 2019 includes section on RTPs carrying reserves. Tolerate	November 2020 Partnership Director
6.1	The approved budget for 2020/21 2019/20 assumes provision for a pay award of 3%, based on alignment with the Scottish Government's public sector pay offer. A 1% increase in pay award uplift equates to an increase in cost of approximately £4,911.	Financial	4	Probable	1	Insignificant	4	Low	Alignment with Scottish Local Government pay policy	4	Probable	1	Insignificant	4	Low	Low Tolerate	November 2020 Partnership Director

6.2	Staff recharges - externally funded £4 projects: The proposed budget assumes that £151,000 £119,000 of staff time can be recharged to externally-funded five-£4 projects - Share-north, Sur-High, Bling, Primas-and-Connect . There is a risk this may not be achievable	Financial	5	Highly Probable	3	Moderate	15	High	Any shortfall in employee recharges will be managed through corresponding reductions in Projects Budget expenditure. In 2020/21, externally-funded £4 projects represent 38% 44% of the approved proposed budget.	4	Probable	2	Minor	8	Medium	Medium: Other funding sources will continue to be pursued. Tolerate	November 2020 Partnership Director
6.3	Inflation: There is a risk that the approved budget does not adequately cover price inflation and increasing demand for services.	Financial	3	Possible	4	Major	12	Medium	When setting the revenue budget, allowance made for specific price inflation and budgets adjusted in line with current cost forecasts.	3	Possible	4	Major	12	Medium	Medium Tolerate	November 2020 Partnership Director
6.4	Delays in payment of external grants results in additional short-term borrowing costs.	Financial	3	Possible	2	Minor	6	Low	SEStran grant claims for projects are submitted in compliance with grant funding requirements to ensure minimal delay in payment. Ongoing monitoring of cash flow is undertaken to manage exposure to additional short-term borrowing costs.	3	Possible	1	Insignificant	3	Low	Low: Grant submission procedures in place, along with financial planning. Tolerate	November 2020 Partnership Director
6.5	Sources of additional income to the Partnership may become constrained in the current economic climate and/or due to changes in operating arrangements.	Financial	4	Probable	3	Moderate	12	Medium	Active Travel funding a high priority for Government with funds consistently available to bid for. Revenue budget for 2020/21 developed to take account of most likely level of external income in 2020/21.	4	Probable	3	Moderate	12	Medium	Medium Tolerate: Adapt expenditure accordingly	November 2020 Partnership Director
6.6	Funding reductions: Future reductions in core funding from Scottish Government and/or council requisitions. This could result in difficulty in delivering statutory obligations/duties.	Financial	3	Possible	4	Major	12	Medium	The Partnership will continue to source and develop external funding. Working with the Scottish Government on a regional response to the pandemic should increase likelihood of funding remaining constant if not increasing.	3	Possible	4	Major	12	Medium	Medium Tolerate: Manage organisation in accordance with available funding but ability of organisation to deliver RTS objectives will inevitably be dictated by available funding. Scottish Government now promoting 3 year budget process, providing more certainty for future planning.	November-2020 Partnership Director
6.7	The deficit on the staff pension fund could lead to increases in the employers pension contribution	Financial	4	Probable	3	Moderate	12	Medium	Following the Lothian Pension Fund Triennial Actuarial Review of 2017, Partnership contribution rates have been advised until 2020/21. Planning assumptions will be updated when the outcome of the 2020 Actuarial Review is available. The risk is therefore for future years.	4	Probable	3	Moderate	12	Medium	Medium Tolerate	November 2020 Partnership Director
6.8	Current staffing levels cannot be maintained due to funding constraints and the Partnership incurs staff release costs	Financial	3	Possible	4	Major	12	Medium	The Partnership continues to seek additional sources of funding for activities aligned to the Partnership's objectives to supplement resources Recruitment control measures in place. Additional resources can be managed through consultancy as required.	3	Possible	4	Major	12	Medium	Medium: Other funding sources will continue to be pursued. Tolerate	November 2020 Partnership Director
6.9	Following the outcome of the EU Referendum, the Partnership is unable to access EU funding.	Financial	5	Highly Probable	3	Moderate	15	High	The Partnership continues to seek alternative funding sources to progress knowledge exchange/transfer.	4	Probable	3	Moderate	12	Medium	Medium Tolerate: Adapt expenditure accordingly. Currently involved in 6 EU projects, the completion of which are underwritten by the UK Treasury.	November 2020 Partnership Director
R007	HR: Pension Liabilities Redundancy Contingency Inappropriate Behaviour Staffing/Incapacity	People	3	Possible	3	Moderate	9	Medium	SLA in place until May 2022 with Falkirk Council to provide specialist HR advice as required and is under regular review. Legal advice is provided, when required, through a framework contract, which is in place until May-2022-August 2023	1	Remote	2	Minor	2	Low	Low Tolerate	November 2020 Partnership Director
R008	Corporate: Regional Governance Review.	Strategic	4	Probable	4	Major	16	High	NTS2 Roles and Responsibilities Working Group have made recommendations which are currently being considered by Transport Scotland. Discussions ongoing with Transport Scotland who have indicated they are receptive to enhanced role for RTPs during current phase of lockdown release. Joint RTPs paper submitted to Transport Scotland May 2020. NTS2 Roles and Responsibilities WG resumed meetings in September 2020 to consider regional governance arrangements	4	Probable	4	Major	16	High	High: Seek to resolve	November-2020 Partnership Director

R009	Other Funding Sources: Impact on learning and funding	Financial	5	Highly Probable	3	Moderate	15	High	The Partnership has sought to engage in as many relevant EU projects and funds as it can whilst UK authorities are allowed to access these funds. This should mitigate the short-term impact of any EU Exit negotiated and implemented. Timescales for effective exit remain unclear. The Partnership has a proven track record in securing funding for relevant projects from the UK and other partners. It is anticipated that this will continue.	5	Highly Probable	2	Minor	10	Medium	Medium: The risk remains as there is significant uncertainty around the medium (3-5year) horizon for access to funds. Opportunity for renewed collaborative working with EU following Brexit to be explored. SEStran continuing to be accepted as partners in EU funded projects. EU projects secured for further 3 years, with possible extension to two projects. Other funding applications will be made when available. Tolerate	November 2020 Partnership Director
R010 10.1	Governance: Succession Planning Business Continuity	People	3	Possible	3	Moderate	9	Medium	Governance Scheme contains adequate provision to deal with senior officer absence. Staff structure and Business Continuity Plan in place. Senior Partnership Manager appointed.	2	Unlikely	2	Minor	4	Low	Low Tolerate	November 2020 Partnership Director
10.2	Local Government Elections in May 2022 coincides with end of term of NCM's. Risk of lack of continuity and loss of expertise.	People	3	Possible	3	Moderate	9	Medium	Early arrangements for reappointment/recruitment of NCMs	2	Unlikely	2	Minor	4	Low	Low Tolerate	November 2020 Partnership Director
R011	Third party Service Level Agreements: Failure or inadequacy of service	People	2	Unlikely	2	Minor	4	Low	Service Level Agreements in place for Financial Services, HR, Legal and Insurance services. Reviewed annually by senior officers. Subject to independent audit scrutiny.	2	Unlikely	2	Minor	4	Low	Low Tolerate	November 2020 Partnership Director
R012	Pandemic / Epidemic: Interruption of normal service/inability to deliver functions. Financial impact of crisis on sources of funding. New functions can't be met from existing resource	Strategic	2	Unlikely	5	Catastrophic	10	Medium	Regular contact with officials of both Transport Scotland and constituent councils to map a way forward. Current functions can be delivered by working from home. New functions can be met through consultancy support.	2	Unlikely	3	Moderate	6	Low	Low An ongoing risk (realised in March 2020) remains for future spikes of Covid-19 or other outbreaks Tolerate	June 2020 November 2020 Partnership Director

Risk Number	Risk Detail	Risk Category	Gross Risk Assessment					Planned Response/Mitigation	Net Risk Assessment					Risk After Mitigation/Appetite for Risk	Date and Owner			
			Probability	Impact	Risk Score	Probability	Impact		Risk Score									
R005	5.1	Restricted ability to undertake RTS re-write: Inadequate senior staff resourcing available due to continued absence of Partnership Director	Strategic	4	Probable	3	Moderate	12	Medium	Resolve absence as soon as possible and appoint external resources as required.	2	Unlikely	2	Minor	4	Low	Partnership Director appointed May 2019. Funds identified for RTS re-write	June 2019 CLOSED
	6.9	Accommodation: Occupancy Agreement with SG due for renewal February 2019. SG may not renew and alternative premises required at market rates.	Financial	3	Possible	3	Moderate	9	Medium	A notice period of 12 months must be served by each party under the current occupancy agreement. Occupancy Agreement renewed until February 2022.	3	Possible	3	Moderate	9	Medium		June 2019 CLOSED
	6.10	ECOMM: Agreement to commit to ECOMM on the basis of being cost neutral. Income depends on number of delegates attending conference.	Financial	3	Possible	3	Moderate	9	Medium	SEStran withdrew offer to host ECOMM due to uncertainty over Brexit and subsequent impact on attendance at the conference.	3	Possible	2	Minor	6	Low		June 2019 CLOSED

Likelihood	Severity	Risk Score	At Risk
1 Remote	1 Insignificant	1	System and Technology
2 Unlikely	2 Minor	2	Reputational
3 Possible	3 Moderate	3	Strategic
4 Probable	4 Major	4	Financial
5 Highly Probable	5 Catastrophic	5	Governance
		6	Specific Operational
		8	External
		9	Legal and Regulatory
		10	People
		12	Physical
		15	
		16	
		20	
		25	

Impact			
Descriptor	Score	Health and Safety Impact	Financial Impact
Insignificant	1	No injury or no apparent injury.	No impact on service or reputation. Complaint unlikely. Litigation risk remote.
Minor	2	Minor injury (First Aid on Site)	Slight impact on service and/or reputation. Complaint possible. Litigation possible.
Moderate	3	Reportable injury	Some service disruption. Potential for adverse publicity, avoidable with careful handling. Complaint expected. Litigation probable.
Major	4	Major injury (reportable) or permanent incapacity	Service disrupted. Adverse publicity not avoidable (local media). Complaint expected. Litigation expected.
Catastrophic	5	Death	Service interrupted for significant time. Adverse publicity not avoidable (national media interest). Major litigation expected. Resignation of senior management/directors.

Likelihood		
Descriptor	Score	Example
Remote	1	May only occur in exceptional circumstances.
Unlikely	2	Expected to occur in a few circumstances.
Possible	3	Expected to occur in some circumstances.
Probable	4	Expected to occur in many circumstances.
Highly Probable	5	Expected to occur frequently and in most circumstances.

Impact					
Catastrophic	5	10	15	20	25
Major	4	8	12	16	20
Moderate	3	6	9	12	15
Minor	2	4	6	8	10
Insignificant	1	2	3	4	5
Likelihood	Remote	Unlikely	Possible	Probable	Highly Probable

Maintain existing measures in place.
Review control measures. Even if the risk is low, there may be things that can be done to bring the risk rating down to minimal.
Improve control measures. If the Rating Action Band is greater than 3 or 4 then a review of the existing safety/control measures needs to be done, where
Improve control measures immediately and consider stopping work activity until risk is reduced.





Projects Performance Report

1 Introduction






- 1.1 The report tracks the progress of SEStran's projects. Where relevant any impacts on project progress arising from Covid-19, including those affecting progress or delivery by suppliers or partners are noted.

2 Projects performance

- 2.1 A high level 'RAG' (Red-Amber-Green) status is used to highlight the current state of progress of each project against the agreed set targets. Once completed, projects are reported with a 'Blue' status, and then removed from future reports.

RAG Status	Meaning:
	Complete
	Progressing according to plan
	Some issues encountered
	Severe issues or delays

- 2.2 Most SEStran projects address more than one of SEStran's Strategic Objectives, as established within the SEStran Regional Transport Strategy. Project updates include the following symbols for strategic objectives where relevant.

	Economy
	Accessibility
	Environment
	Safety and health
	Corporate

4. RECOMMENDATIONS

- 4.1 It is recommended that the Committee notes progress on current projects. The report will be presented to the next Partnership Board following this Committee.

Anna Herriman
Senior Partnership Manager
06 November 2020

Appendix 1: Projects update

Policy Implications	Outlined project work contributes to the objectives identified within SEStran Regional Transport Strategy
Financial Implications	All project work is delivered from within confirmed budgets.
Equalities Implications	There are no adverse equalities implications arising from SEStran projects. A number of projects actively work to reduce inequalities.
Climate Change Implications	There are no negative climate change implications arising from SEStran projects. A number of projects actively work to tackle climate change through creation of more sustainable transport options.

SEStran Projects Update

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1. Strategy

1.1 Regional Transport Strategy



SEStran's original Regional Transport Strategy (RTS) was approved in March 2007 to cover the period from 2008 until 2023. The strategy was refreshed in August 2015 to cover the period until 2025.

The Main Issues Report (MIR), published in May 2020, was commissioned to explore current issues and evidence the key considerations that will shape the development of the new RTS.

Many of the issues identified in the MIR will remain relevant over a longer term, however one 'main issue', which is the need for the RTS to be able to respond flexibly to future uncertainty, has been clearly highlighted by the impacts of Covid-19, ensuing lockdowns and the ongoing transition out of severe travel restrictions.

The lasting impacts of Covid-19 are not fully known at this stage, but it is widely acknowledged that impacts will be far reaching and include impacts on the economy, plans for land-use, as well as transport systems and travel behaviour.

Latest developments:

- **RTS Development**

In progress

The development of the RTS will be delivered through consultancy support. The development will involve consulting key stakeholders, establishing of a case for change, appraising preliminary options and carrying out statutory assessments including a Strategic Environmental Assessment and Equalities Impact Assessment.

- A Prior Information Notice (PIN) has been issued on Public Contracts Scotland in October and has generated good levels of interest.
- The tender brief for consultancy work is due to be published on 9 November 2020.
- A revised RTS delivery programme, which has been amended to better align to timescales involved in the development of other, linked strategies, has had input from partner Councils and the SEStran RTS Steering Group and will be reported to the Board on 20 November 2020.

2. Active Travel Projects

2.1 GO e-Bike



In April 2018, SEStran launched GO e-Bike, a regional bike-sharing scheme funded by SEStran, with a contribution from the SHARE-North project. The first four GO e-Bike hubs were launched in St Andrews, Buckhaven, West Lothian and Falkirk. In August 2018 SEStran secured funding from the Low Carbon Travel and Transport (LCTT) Fund and Transport Scotland (TS) to expand the GO e-Bike scheme through six further hubs.

Latest developments:

- **GO e-Bike expansion with LCTT & TS funding** In progress
 - Activities at the Tweeddale Hub remain paused. Discussions are ongoing to assess the feasibility of other options in the Borders. The e-bike fleet have been loaned to Forth Environment Link and the e-cargo bikes are on loan to West Lothian Bike Library.
 - Now that SPEN works are completed, discussions are progressing with Bewegen to agree a date for the final preparatory works and installation.
 - Design work for the “Do The Ride Thing” campaign and website is now complete, following engagement and feedback from Active Travel delivery partners. A media package is being developed for the launch of the campaign in November, which will now be via online media.

2.2 Regional Cycle Network Grant Scheme



The Regional Cycle Network Grant Scheme continues the partnership between Sustrans Scotland and SEStran’s commitment to delivering improvements to the cross-boundary utility routes.

Latest developments:

- **Edinburgh BioQuarter** In progress
 - Work has been progressing along with City of Edinburgh to assess signalling on the route and particularly at Cameron Toll and Craigmillar Park.
 - The detailed design phase of the project is now complete, with City of Edinburgh Council progressing to Stage Four of the project, and drafting an application to Sustrans Scotland, for funding towards construction.

2.3 Regional Active Travel Development Fund – Transport Scotland



The Regional Active Travel Development Fund was established between Transport Scotland and the Regional Transport Partnerships in 2018/19. SEStran made a proposal for projects in 2020/21 to Transport Scotland in March 2020 and has received £314,000 for this third year of funding.

Latest developments:

- **Project 1: Attitudinal Survey & Data Collection** In progress
 - “The Lines Between” have been appointed as consultant on the behavioural survey work, commencing in July.
 - The desktop research and draft baseline survey reports have been received for review.
 - **Total award £100,000**

- **Project 2: ‘Do The Ride Thing’ Awareness Campaign** In progress
 - SEStran has created an awareness campaign for the use of e-bikes across the region to complement the launch of a number of e-bike hubs. Do The Ride Thing seeks to create an environment where individuals look out for others and create good habits while riding a bike.
 - Procurement has commenced for creative services and the development of media package and promotions.
 - **Total award £100,000**

- **Project 3: West Lothian Active Travel Projects** In progress
 - Completion of projects from 2019/20:
 - To provide active travel provision between Ecclesmachan and Threemiletown, providing a safe link to local bus services.
 - To provide a link from Bathgate Hills quiet roads through Bangour and connect to the Livingston green network.
 - Investigate a number of potential active travel links:
 - A89 Parallel Route – Easton Road Bathgate to Armadale
 - A904 Newton – South Queensferry
 - Linlithgow – Bo’ness (Links to Blackness & Falkirk)
 - West Calder – Harburn
 - Bathgate Hills Quiet Roads Initiative
 - West Lothian Council has reported a delay to the appointment of consultants and completion of the project is now expected by March 2021, within the current financial year.
 - **Total award £64,000**
 - SEStran successfully bid for resource funding to support the breadth of active travel projects that happen across the partnership.
 - Officers conducted a procurement exercise for additional resource concluding on the 4th September 2020.
 - **Total Award £50,000**

2.4 Cycle Training & Development – Cycling Scotland



Support and develop the delivery of Bikeability Scotland National Standard cycle training by local authority Bikeability coordinators. Promote, encourage and develop cycle training opportunities across SEStran projects.

Latest developments:

- **Bikeability Scotland** In progress
 - The current guidance on delivery of Bikeability and staff training varies by Local Authority and some are still awaiting clarity on when external visitors will be allowed into the school setting. This is one area of activity where Covid-19 has changed delivery mode. Funding applications are all secured for delivery over this academic year.
 - A regular Microsoft Teams group meeting has been established to better support communication and information sharing between Local Authority Bikeability Scotland Coordinators.
- **GO e-Bike cycle training** In progress
 - Training is being offered to all hubs as they are completed and as part of ongoing development plans.
- **Adult and Family Cycle Training** In progress
 - An adult and family training pilot delivered through Community Learning and Development (CLD) teams is being delivered in partnership with East Lothian and West Lothian. This will equip CLD staff with the training necessary to deliver Essential Cycling Skills in their community.
 - Pilot delivery of family cycle training sessions took place in Fife and Edinburgh during July and August. A review of the delivery took place in September and the course is now available for families to sign up to across the region.
 - A Cargo Bike training course has been developed and the first session is being run in early November in Edinburgh.

3. Public Transport Projects

3.1 Real Time Passenger Information (RTPI)



SEStran's RTPI system began in 2010 with the aim of tackling a declining bus patronage and make bus travel more predictable and reliable. SEStran is working with the City of Edinburgh Council to move towards a new Content Management System that will improve the public facing regional screen network.

Latest developments:

- **New Content Management System and hardware upgrades** Delayed
 - The new system passed the factory acceptance testing (FAT) in October which means that the project can now move to silent running testing.
 - The supplier delays with the FAT were due to Covid-19, but if silent running is successful then the RTPI feed should go live before the end of the year.
 - The test of the new system will now be undertaken at the Galashiels Interchange in November Covid-19 restrictions allowing.

- **Public Transport Capacity Information**

In progress

- In response to Covid-19, SEStran is working alongside Transport Scotland and Trapeze to test the feasibility of incorporating bus capacity information on public transport for use by Traveline Scotland.
- This new feed will be integrated into the new SEStran regional RTPI system.

3.2 Thistle Assistance Programme



SEStran has developed the Thistle Assistance Card and App to make using public transport easier for older people and those with disabilities, illness or mobility issues. SEStran is currently working to identify funding to help evolve the programme and journey planning aspect of the scheme.

Latest developments:

- **Journey Planner App - Phase Two**

In progress

- SEStran is working on a funding proposal for submission to Sustrans to develop the phase two work.

- **Thistle Assistance Programme Update**

In progress

- Covid-19 update – SEStran has adapted the Thistle card and App to provide an exemption message for those that cannot use a face covering when using public transport. Messaging has been developed for print, social media and on the website¹.
- In order to improve distribution of the cards & leaflets and cope with the increased number of requests a mail out service has been developed.
- Since June 2020 over 10,000 cards and leaflets have been distributed and there have been over 5,000 downloads of the App.

- **SEStran Website**

Delayed

- In order to comply with legislation ([Public Sector Bodies \(Websites and Mobile Applications\)\(No. 2\) Accessibility Regulations 2018](#)) SEStran is updating the Partnership website to comply with Accessibility Standards Level A and AA Success Criteria of the Web Content Accessibility Guidelines (WCAG) version 2.1 and to meet Cyber Essentials requirements.
- The design of the new SEStran site has been completed to required standards, with all Cyber Essentials requirements met. Content is being updated, however due to Covid-19, action on an identified site management issue has delayed staff training. The go live date will be delayed to March 2021.

- **Marketing and Communications Internship**

Complete

- SEStran's internship post, made possible through a partnership with Inclusion Scotland, concluded on 9 October 2020, after two funding extensions were agreed by Inclusion Scotland.
- The internship post supported the rebranding, website development and marketing of the Thistle Assistance Scheme.

¹ <https://www.thistleassistance.com/travel-safety/>

3.3 Local Rail Development Fund (LRDF)



The £2 million Scottish Government [Local Rail Development Fund](#) was announced in February 2018, with the aim of providing funding to develop community led options to improve local rail connections.

Latest developments:

- **Newburgh Train Station** In Progress
 - Phase 2 - The next stage of the study, the 'Initial Options Appraisal' was submitted to Transport Scotland for review on 18th of September.
 - , £37,834 of the £82,000 budget has been claimed for the work to date.
- **Forth Freight Strategy** In Progress
 - The Case for Change STAG phase one work is currently underway with the 'desktop' research & data collection done.
 - Stakeholder engagement took place in September using a combination of online workshops and one to one phone/online interviews.
 - The Case for Change is due to be completed & submitted for evaluation to Transport Scotland in November.
 - £34,000.00 from the £150,000.00 budget has been invoiced to date.

3.4 South East Scotland Transport Transition Group



The South East Scotland Transport Transition Group ('the Group') came into being on 3rd June. The Group is established as a temporary arrangement, to develop and oversee a Regional Transport Transition Plan for the transition period following Covid-19 lockdown restrictions. The Group brings together local, regional and national partners to jointly plan for the management of transport related measures needed during this period.

Latest developments:

- **Development of South East Scotland Transport Transition Plan** In progress
 - SEStran plays a key role in the development of the South East of Scotland Transport Transition Plan. SEStran oversees the Transition Plan, ensuring it is kept up to date as guidelines change and issues and opportunities arise.
- **Bus Priority Rapid Deployment Fund bid** In progress
 - A bid by the Group to Transport Scotland's Transport Scotland Bus Priority Rapid Deployment Fund initially attracted £1.2M funding for temporary bus priority interventions on key Edinburgh bound corridors, with the City of Edinburgh Council acting as lead applicant. Further funding was set aside pending further information. A second tranche bid for up to £0.6M has now been finalised comprising a wider range of temporary bus-supportive measures.
- **Region-wide sub-group** In progress
 - SEStran leads on the development of a range of region-wide interventions including trialling public transport capacity information (as mentioned in section 3.1), exploring the feasibility of improved public transport through an expanded DRT approach, and Thistle Assistance.

4. European-funded Projects

4.1 SHARE-North

Interreg North Sea Region – Jan 2016 to Dec 2021



SHARE-North focuses on shared mobility modes and their potential to address sustainable transport challenges in the North Sea region. This includes developing, implementing, promoting and assessing car sharing, bike sharing, ride sharing and other forms of shared mobility in urban and rural areas and employment clusters.

Latest developments:

- **Mobility Hubs** In progress
 - SEStran has been exploring opportunities to introduce Mobility Hubs to the region. In doing so, SEStran builds on the expertise and support from the European partners.
 - A Mobility Hub seeks to raise the profile of shared mobility (car club, bike-sharing, carsharing), by integrating these modes of transport with existing public transport provision.
 - Following the completion of the Mobility Hub Strategic Study, SEStran has been working with colleagues in East Lothian Council, to use SHARE-North funding for the development of a Mobility Hub trial at the Brunton Hall in Musselburgh.
 - SEStran supported colleagues in Fife Council in the preparation of a bid to the Sustrans Places for Everyone Fund, for a Mobility Hub feasibility study in East Fife, including the possible integration of Mobility Hubs at the proposed railway stations at Leven and Cameron Bridge.
 - SEStran ran an online naming exercise for Mobility Hubs during the Integrated Mobility Forum on 8 October 2020 using Mural, an online workspace that allows for collaborative working.
- **Project activities and partner meetings** Delayed
 - Due to Covid-19 various project activities and physical meetings have been cancelled. Whilst some activities have moved online, through teleconferences, other activities have been delayed. The project consortium is now seeking a 6-month extension to the project, subject to formal agreement of the Programme Secretariat.
- **Tripshare SEStran** Reduced service
 - Due to the ongoing impacts of Covid-19 and Scottish Government guidance on carsharing, SEStran is not actively promoting the Tripshare SEStran platform, but has awarded a reduced level, one-year contract to Liftshare in order to maintain the platform and retain existing members during this period.

4.2 SURFLOGH

Interreg North Sea Region – Jun 2017 to Oct 2020



SURFLOGH aims to improve the role of logistics hubs in the network of urban logistics in the North Sea Region. By introducing city labs, a transnational platform is created to promote innovation in city logistics. These platforms will bring together different actors to exchange knowledge, work on innovative pilot projects and implement results within policy strategies and the urban logistics system.

Latest developments:

- **Development of business case with Edinburgh Napier University** In progress
 - SEStran is leading on a work package along with Edinburgh Napier University Transport Research Institute (TRI), developing business models for urban freight hubs.
 - To date the Literature review, Business Model Framework and Edinburgh Case study have been completed.
 - SEStran & Edinburgh Napier University presented the latest work to the project steering group in October.
- **Edinburgh Pilot – ZEDIFY** In progress
 - The procurement process for the pilot project expansion was completed in October via Public Contracts Scotland.
 - ZEDIFY will be appointed to develop the new hope with the SEStran & Edinburgh Napier University project team.
- **Expansion of Edinburgh Cargo-Bike delivery** In progress
 - SEStran will be working with the Cargo Bike Movement (CBM) to develop a community hub in South Edinburgh which will promote the use of cargo bikes within Edinburgh as a fairer, healthier and greener alternative to carbon-emitting vehicles in the delivery of goods and for individuals and families.
 - This new hub will work with the existing Zedify hub and contribute to the SURFLOGH research.
 - SEStran will use £10,000 from the Sustainable Active Travel budget to support the project.

4.3 BLING

Interreg North Sea Region – Jan 2019 to Dec 2021



Blockchain is a key enabling technology that will underpin efforts to deliver innovative services under the Digital Agenda for Europe. The BLockchain IN Government (BLING) project focuses on providing one of the first dedicated platforms to bring these tools and approaches into local and regional services. SEStran's role is to develop a pilot with the University of Edinburgh, which will showcase innovative use of the technology in a transport environment.

Latest developments:

- **Development of Edinburgh Pilot** In progress
 - The Design Informatics team at the University of Edinburgh team, supported by SEStran, is prototyping ways to create Location Based Smart Contracts – agreements about the location and

relations of smart objects in space that allow conditions such as proximity or co-location to trigger actions like financial transfers or opening physical locks. These systems are backed with blockchains, to explore new techniques to make location data secure without being invasive.

- The pilot is called 'GeoPact'²
- The next stage of the research will be to develop a Smart Contracts interface that can be easily use and adapted in the 'real world'.
- Representatives from the logistics and freight sector participated in a successful mini-workshops to be held in October (19th) to explore the key elements that would be needed for a 'useable' smart contract interface.
- The work is currently being evaluated to present to the BLING steering group on the 25th of November.

4.4 PriMaaS

Interreg Europe – Aug 2019 to Jan 2023



Mobility-as-a-Service (MaaS) is a concept that changes the way people travel and pay for mobility services. The main vision of PriMaaS is to promote MaaS and incorporate wider societal goals through interregional collaboration, sharing best practices, and policy development.

Latest developments:

- **MaaS Scotland Annual Conference 2020** Complete
 - SEStran participated in this year's online MaaS Scotland Annual Conference and presented the PriMaaS project during the technical session on policy and procurement.
- **Baseline Assessment and MaaS Action Plan** In progress
 - SEStran has worked with partners to feed into the Baseline Assessment Report, establishing a baseline of MaaS levels in each of the partners' regions. This will help identify best practices and develop an Action Plan for the SEStran region.
 - SEStran has started exploring options for MaaS and Demand Responsive Transport (DRT) in the region, and is considering different funding avenues for such a project, such as the Transport Scotland MaaS Investment Fund.
 - The idea for a DRT/MaaS platform was presented at the Equalities & Access to Healthcare Forum on 2 October and the Integrated Mobility Forum on 8 October, inviting forum members to share their views and comments.
- **2nd PriMaaS Stakeholder Workshop** Complete
 - SEStran organised the second PriMaaS Stakeholder Workshop during the Integrated Mobility Forum on 8 October 2020. The forum members were given an update on the project activities and progress to date, and a discussion was held on the challenges around governance, open data and the options for a DRT/MaaS platform.
- **Project activities and partner meetings** Delayed
 - The project partners met online in October to discuss progress of project activities and budget. Due to Covid-19 and government restrictions, many project activities have been delayed and has resulted in underspent budget.

² <https://northsearegion.eu/media/14062/geopact-pictorial-tallyn-2020.pdf>

- The consortium as a whole is now seeking a possible 6-month extension to the project, subject to formal agreement by the Joint Secretariat of the funding programme.

4.5 CONNECT

Interreg North Sea Region – Oct 2019 to Mar 2022



CONNECT's overall objective is to support smart intermodality growth in the North Sea Region, through smart efficiency enhancements within freight movement. It looks at 'CONNECTing' North Sea Region's TEN-T nodes, focusing on implementing new smart processes and working tools (smart intermodality) and development of strategies for smart efficiency enhancements (smart involvement). <https://northsearegion.eu/north-sea-connect>

Latest developments:

- **Project Kick-Off** In Progress
 - The project 'kick-off' meeting took place online on the 1st & 2nd of September 2020 hosted by the lead partner in Hamburg, SEStran attended online.
 - SEStran will be leading on a work package based (WP3) focussed on sharing of best practice.

5. SEStran forums & upcoming events

5.1 SEStran Forum Meetings



SEStran hosts three different forum groups which are held twice a year. The aim of these forums is to provide a platform for interested parties to come together and to formulate a regional voice in various transport-related matters.

Forum meetings:

- **Equalities and Access to Healthcare Forum**
The 2 October 2020 meeting was conducted online, with good attendance, and covered an RTS update, the DRT strategic study, Thistle Assistance, Transport Transition Plan, Tripshare, and the Equalities outcomes 2021-2023.
- **Integrated Mobility Forum**
Due to Covid-19 the April meeting was cancelled. The 8 October 2020 meeting was held online, and covered a PriMaaS Stakeholder workshop, a SHARE-North naming exercise, and an RTS update.
- **Logistics and Freight Forum**
Due to Covid-19 the May meeting was cancelled, and an online Forum meeting will be held before the end of December.