

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

**Audited  
Annual Accounts**

**2020/2021**

# The South East of Scotland Transport Partnership (SESTRAN)

## CONTENTS

|   | <u>Page</u> |
|---|-------------|
| Management Commentary   | 2-5         |
| Statement of Responsibilities for the Annual Accounts   | 6           |
| Annual Governance Statement   | 7-9         |
| Remuneration Report   | 10-11       |
| <br><u>Accounting Statements and Notes to the Annual Accounts:</u>                            |             |
| Annual Accounts;  |             |
| <i>1. Movement in Reserves Statement for the year ended 31st March 2021</i>                   | 12          |
| <i>2. Comprehensive Income &amp; Expenditure Statement for the year ended 31st March 2021</i> | 13          |
| <i>3. Balance Sheet as at 31st March 2021</i>   | 14          |
| <i>4. Cash Flow Statement for the year ended 31st March 2021</i>                              | 15          |
| Statement of Accounting Policies  | 16-19       |
| Notes to the Annual Accounts  | 20-45       |
| Independent Auditors Report   | 46-48       |

# 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 three 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.

Thirdly, the impact from the Covid-19 pandemic on all aspects of transport and mobility are likely to be very significant. The longer term implications for partner Councils, operators and transport user groups at national, regional and local levels are yet to be determined.

### 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 13.

# 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 2020/21 was £0.972m, funded by Government Grant and Council Contributions. A comparison of the outturn position with the revenue budget and earmarked reserves brought forward (£177,000) is presented in the table below. Key aspects of financial performance in 2020/21 are:

- Overall the Partnership had an underspend of £122,000 which is shown in the table below. The underspend arose due to a combination of underspends on the core revenue budget and projects budget, offset by an overspend on the RTPI project budget;
- The Partnership incurred core service expenditure of £0.563m which was £18,000 below the Core Service revenue budget. This underspend mainly reflects decreased expenditure on staff travel and conference costs;
- The Partnership incurred expenditure of £0.824m on revenue projects and received external grants and contributions of £0.441m, resulting in net expenditure of £0.383m. Net expenditure was £124,000 under budget and earmarked reserves brought forward. The main favourable variances on the Projects revenue budget arose on the Regional Transport Strategy budget (£94,000) and GO e-Bike budget (£18,000);
- Expenditure of £131,000 on the Real-Time Passenger Information (RTPI) project was partly funded by contributions of £50,000 from other parties, resulting in net expenditure of £81,000. Net expenditure was £20,000 over budget and earmarked reserves brought forward.

|   | Revised<br>Budget<br>£'000 | Earmarked<br>Reserves<br>from 19/20<br>£'000 | Outturn<br>£'000 | Variance<br>£'000 |
|---|----------------------------|--|------------------|-------------------|
| Core Service  | 581                        | 0  | 563              | (18)              |
| Revenue Projects - Net Expenditure                                  | 389                        | 118  | 383              | (124)             |
| RTPI Project - Net Expenditure                                      | 2                          | 59   | 81               | 20                |
| Net Interest  | 0                          | 0  | 0                | 0                 |
| <b>Total Expenditure 2020/21</b>                                    | <b>972</b>                 | <b>177</b>                                   | <b>1,027</b>     | <b>(122)</b>      |
| Government Grant  | (782)                      | 0  | (782)            | 0                 |
| Constituent Council Requisitions                                    | (190)                      | 0  | (190)            | 0                 |
| <b>Total Government Grant and Council<br/>Contributions 2020/21</b> | <b>(972)</b>               | <b>0</b>                                     | <b>(972)</b>     | <b>0</b>          |

In accordance with the provisions of the Transport Scotland (2019) Act, the Partnership has agreed a Reserves Policy and established an unallocated reserve of £29,000. An earmarked balance of £105,000 is available to meet slippage on project delivery from 2020/21 to 2021/22.

### Non Financial Results

During 2020/21, the Partnership commenced the development of the new Regional Transport Strategy (RTS) to set the strategic framework for transport plans and decisions within the SEStran region up to 2035. The RTS is being developed through consultancy support that was procured in late 2020. A number of work strands were underway by the end of the year, including the Strategic Environmental and Equalities and Human Rights Impact Assessments, desktop research for evidencing problems and wide ranging engagement activities.

# The South East of Scotland Transport Partnership (SESTRAN)

## Management Commentary (*continued*)

### 5. Results for the Year (*continued*)

#### Non Financial Results (*continued*)

The Partnership remained successful in attracting funding for delivery of region-specific strategies, studies and services of benefit to transport users and partners across the region, and engaged actively in co-ordinated responses to the Covid-19 pandemic.

- With Active Travel funding from Transport Scotland, the Partnership's Strategic Travel Network plan was further developed. Grant support was provided to West Lothian Council for specific route development and a longitudinal study surveying travel attitudes through Covid-19 was commenced;
- The Partnership progressed its Regional Cycle Network grant scheme, using funding from Sustrans Scotland for routes to the BioQuarter and Kirkliston to Cramond Brig;
- The GO e-Bike stations in East Lothian and Midlothian were fully installed with funding contribution from Transport Scotland's Low Carbon Travel and Transport (LCTT) Challenge Fund;
- The Thistle Assistance Scheme was adapted in response to Covid-19 to include mask exemption 'card' stickers and online information, utilising funds from Transport Scotland and other RTP contributions. Approximately 50,000 further new cards were distributed throughout Scotland;
- In partnership with Forth Ports, the Partnership completed the Forth Freight Study Case for Change document, identifying a number of issues and potential options for more sustainable freight in the region. This was funded by Transport Scotland's Local Rail Development Fund;
- A detailed transport appraisal for Newburgh was also completed with LRDF support from Transport Scotland, working alongside the Newburgh Train Station Group and Fife Council;
- A Marketing Internship, facilitated in partnership with Inclusion Scotland in 2019, was extended until October 2020, enabling wide promotion of Thistle Assistance Scheme during the pandemic;
- The upgrade of the Real Time Passenger Information (RTPI) system reached the final stages of testing. Working with Transport Scotland and operators, significant progress was also made towards including bus capacity information. Investment has secured new screens for deployment at regional transport hubs;
- Through the SHARE-North project, opportunities for shared mobility and the development of Mobility Hubs were explored with partner councils and Partnership forums. Knowledge was exchanged with project partners on the impacts from Covid-19 on car and trip sharing, alongside the promotion of GO e-Bike;
- Through the PriMaaS project, the Partnership shared knowledge and best practice in regional policies to support Mobility-as-a-Service (MaaS). In addition, considerable progress was made towards a region-wide MaaS platform culminating in a joint proposal to Transport Scotland's MaaS Investment Fund;
- Through the BLING project, the Partnership and its partner, the University of Edinburgh, successfully tested using blockchain to create location based Smart Contracts interface. This could be used in sustainable logistics to detect consignment proximity and trigger either secure financial transfers, or opening physical locks;
- Through the Surflogh project, an expansion of the successful first / last mile delivery trial in the Haymarket area by ZEDIFY was agreed with the project's lead partner. Preparatory work was finalised, and will enable a new hub to be operational in the Leith area in 2021;
- The Partnership played a key role supporting the Regional Transport Transition Group established in June 2020, designing a transition plan and assisting in temporary arrangements to aide regional recovery from Covid-19 impacts on travel and transport. This led to a central role supporting the three initial bids from within the region to Transport Scotland's Bus Partnership Fund;
- Five new equalities outcomes that will guide the Partnership up to 2025 were developed and agreed, following stakeholder input, throughout 2020/21.

### 6. Future Developments

The Partnership will maintain successful home working arrangements for all its staff, facilitating alternative opportunities for individual and team dialogue and working. These arrangements will continue into 2021/22 until such time as the Scottish Government indicates a return to office based working is safe. Ensuring the health, safety and well-being of staff remains the top priority for the Partnership.

# The South East of Scotland Transport Partnership (SESTRAN)

## Management Commentary (*continued*)

### 6. Future Developments (*continued*)

The Partnership will continue to make good use of online engagement for meetings, business and events as long as required. The high levels of engagement from across the region using such methods has benefitted the Partnership.

The Partnership will actively pursue a range of opportunities for the region that emerged during 2020/21, including seeking appropriate funding across freight, Demand Responsive Transport, Thistle Assistance Journey Planning, Mobility as a Service, Bus Service Improvement Partnerships and bids to the Bus Partnership Fund, development of cargo bike delivery and training.

The development of the new Regional Transport Strategy (RTS) is a core aspect of the Partnership's statutory role and function. It involves the input of SEStran partners and stakeholders. The Partnership will finalise a draft RTS that will be subject to a wide statutory consultation process in autumn 2021. The timescale for the completion of the RTS over this year takes into account key stages in the finalisation of Scotland's Second Strategic Transport Projects Review, the National Planning Framework and its component Regional Spatial Strategies.

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 24th September 2021.

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 2021.

Treasurer:

HUGH DUNN, CPFA

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

# The South East of Scotland Transport Partnership (SESTRAN)

## ANNUAL GOVERNANCE STATEMENT 2020/21

### 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 2020/21 (*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, undertaking the core functions of an audit committee as identified in Audit Committees: Practice Guidance for Local Authorities and Policy (CIPFA);
- **The Internal Audit Service** of the City of Edinburgh Council 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 Partnership seeks to ensure that Internal Audit arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit.

# The South East of Scotland Transport Partnership (SESTRAN)

## ANNUAL GOVERNANCE STATEMENT 2020/21 (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.

The Partnership operates Anti-Bribery, Anti-Fraud and Corruption policies in accordance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

The Partnership has undertaken an evaluation of compliance with the CIPFA's Financial Management Code (FM Code). The Partnership's financial management arrangements are assessed as being compliant with the FM Code.

### 5. Internal Audit Opinion

During the year, Internal Audit undertook one review that assessed the design adequacy and effectiveness of the Partnership's Covid-19 resilience arrangements and considered how the impacts of Covid-19 have been considered and reflected in both the content of and delivery timeframes for finalisation of the new Regional Transport Strategy. Follow-up was also performed to confirm that the agreed management actions supporting the medium rated finding on Regional Transport Strategy project governance and management raised in the 2019/20 Audit had been effectively implemented and sustained. The findings identified two amber ratings, predominantly around risk and the requirement for establishing supporting documentation to set out risk appetite.

### 6. Coronavirus Pandemic

The extended lockdown associated with the Covid 19 pandemic has dictated that all meetings of the Partnership have had to be held remotely online. It is anticipated that this will continue for some months to come.

The Partnership moved immediately and seamlessly into this way of working on 18 March 2020 and has been fully functional since. As a result, with the exception of the cancellation of the March 2020 Partnership Board meeting referred to in last year's Annual Governance Statement, governance of the Partnership has been unaffected. Attendance at electronically-hosted online Board meetings has significantly increased throughout 2020/21.

### 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 2021. 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 | 2020/21 | 2019/20 |
|--------------------|---------|---------|
| £60,000 - £64,999  | 1       | 0       |
| £75,000 - £79,999  | 0       | 1       |
| £80,000 - £85,999  | 1       | 0       |

### 5. Senior Employees Remuneration

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

| Name and Post Title               | Salary, Fees and Allowances<br>£ | Compensation<br>£ | Total Remuneration<br>2020/21<br>£ | Total Remuneration<br>2019/20<br>£ |
|-----------------------------------|----------------------------------|-------------------|------------------------------------|------------------------------------|
| Jim Grieve - Partnership Director | 82,529                           | 0                 | 82,529                             | 78,994                             |
|                                   | 82,529                           | 0                 | 82,529                             | 78,994                             |

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.

### 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     |  |
|-----------------------------------|-------------------------------|--------------|----------|------------------------------|--|
|                                   | 2020/21<br>£                  | 2019/20<br>£ |          | As at 31 March 2021<br>£'000 | Difference from 31 March 2020<br>£'000 |
| Jim Grieve - Partnership Director | 21,240                        | 0            | Pension  | 1                            | 1                                      |
|                                   |                               |              | Lump Sum | 0                            | 0                                      |
|                                   | 21,240                        | 0            |          |                              |  |

The senior employee shown in the table above became a member of the Local Government Pension Scheme (LGPS) during 2020/21.

# 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 2020-21 were as follows:

| Whole Time Pay   | Contribution rate |
|--|-------------------|
| On earnings up to and including £22,200 (2019/2020 £21,800)                | 5.50%             |
| On earnings above £22,200 and up to £27,100 (2019/2020 £21,800 to £26,700) | 7.25%             |
| On earnings above £27,100 and up to £37,200 (2019/2020 £26,700 to £36,600) | 8.50%             |
| On earnings above £37,200 and up to £49,600 (2019/2020 £36,600 to £48,800) | 9.50%             |
| On earnings above £49,600 (2019/2020 £48,800)                              | 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 | 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.

### 2019/20 - Previous Year Year Comparative

|  | Usable Reserves      |                       | Unusable Reserves | Total Partnership Reserves |
|--|----------------------|-----------------------|-------------------|----------------------------|
|  | General Fund Balance | Total Usable Reserves |                   |                            |
|  | £'000                | £'000                 | £'000             | £'000                      |
| <b>Opening Balances at 1 April 2019</b>  | <b>0</b>             | <b>0</b>              | <b>(521)</b>      | <b>(521)</b>               |
| <b>Movement in reserves during 2019/20</b>   |                      |                       |                   |                            |
| Surplus or (Deficit) on Provision of Services  | 107                  | 107                   | 0                 | 107                        |
| Other Comprehensive Expenditure and Income   | 0                    | 0                     | 241               | 241                        |
| <b>Total Comprehensive Expenditure and Income</b>  | <b>107</b>           | <b>107</b>            | <b>241</b>        | <b>348</b>                 |
| <b>Adjustments between accounting basis &amp; funding basis under regulations (Note 7)</b> | <b>82</b>            | <b>82</b>             | <b>(82)</b>       | <b>0</b>                   |
| <b>Increase/Decrease in 2019/20</b>  | <b>189</b>           | <b>189</b>            | <b>159</b>        | <b>348</b>                 |
| <b>Balance at 31 March 2020 carried forward</b>  | <b>189</b>           | <b>189</b>            | <b>(362)</b>      | <b>(173)</b>               |

### 2020/21 - Current Financial Year

|  | Usable Reserves      |                       | Unusable Reserves | Total Partnership Reserves |
|--|----------------------|-----------------------|-------------------|----------------------------|
|  | General Fund Balance | Total Usable Reserves |                   |                            |
|  | £'000                | £'000                 | £'000             | £'000                      |
| <b>Opening Balances at 1 April 2020</b>  | <b>189</b>           | <b>189</b>            | <b>(362)</b>      | <b>(173)</b>               |
| <b>Movement in reserves during 2020/21</b>   |                      |                       |                   |                            |
| Surplus or (Deficit) on Provision of Services  | (71)                 | (71)                  | 0                 | (71)                       |
| Other Comprehensive Expenditure and Income   | 0                    | 0                     | (323)             | (323)                      |
| <b>Total Comprehensive Expenditure and Income</b>  | <b>(71)</b>          | <b>(71)</b>           | <b>(323)</b>      | <b>(394)</b>               |
| <b>Adjustments between accounting basis &amp; funding basis under regulations (Note 7)</b> | <b>16</b>            | <b>16</b>             | <b>(16)</b>       | <b>0</b>                   |
| <b>Increase/Decrease in 2020/21</b>  | <b>(55)</b>          | <b>(55)</b>           | <b>(339)</b>      | <b>(394)</b>               |
| <b>Balance at 31 March 2021 carried forward</b>  | <b>134</b>           | <b>134</b>            | <b>(701)</b>      | <b>(567)</b>               |

# The South East of Scotland Transport Partnership (SESTRAN)

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2020/21

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.

| 2019/20                    |                       |                          | 2020/21   |                            |                       |                          |
|----------------------------|-----------------------|--------------------------|---|----------------------------|-----------------------|--------------------------|
| Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 | Services  | Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |
| 678                        | (4)                   | 674                      | Core  | 683                        | (6)                   | 677                      |
| 1,436                      | (1,266)               | 170                      | Projects  | 858                        | (507)                 | 351                      |
| <b>2,114</b>               | <b>(1,270)</b>        | <b>844</b>               | <b>Cost Of Services</b>                                     | <b>1,541</b>               | <b>(513)</b>          | <b>1,028</b>             |
| 75                         | (54)                  | 21                       | Financing & Investment Income (Note 9)                      | 65                         | (50)                  | 15                       |
| 0                          | (972)                 | (972)                    | Taxation and Non-Specific Grant Income (Note 10)            | 0                          | (972)                 | (972)                    |
| <b>2,189</b>               | <b>(2,296)</b>        | <b>(107)</b>             | <b>(Surplus) or Deficit on Provision of Services</b>        | <b>1,606</b>               | <b>(1,535)</b>        | <b>71</b>                |
|                            |                       |                          | <b>Other Comprehensive Income and Expenditure</b>           |                            |                       |                          |
| 0                          | 0                     | 0                        | Change in Demographic Assumptions                           | 0                          | (99)                  | (99)                     |
| 0                          | (369)                 | (369)                    | Change in Financial Assumptions                             | 775                        | 0                     | 775                      |
| 0                          | (18)                  | (18)                     | Other Experience  | 0                          | (45)                  | (45)                     |
| 146                        | 0                     | 146                      | Return on Assets excluding amounts included in net interest | 0                          | (308)                 | (308)                    |
| <b>146</b>                 | <b>(387)</b>          | <b>(241)</b>             | <b>Total Other Comprehensive Income and Expenditure</b>     | <b>775</b>                 | <b>(452)</b>          | <b>323</b>               |
| <b>2,335</b>               | <b>(2,683)</b>        | <b>(348)</b>             | <b>Total Comprehensive Income and Expenditure</b>           | <b>2,381</b>               | <b>(1,987)</b>        | <b>394</b>               |

# The South East of Scotland Transport Partnership (SESTRAN)

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Partnership. The net assets of the Partnership (assets less liabilities) are matched by the reserves held by the Partnership. Reserves are reported in two categories. The first category of reserves are usable reserves, that is, those reserves that the Partnership may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The 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<br>2020<br>£'000 |  | Note | 31 March<br>2021<br>£'000 |
|---------------------------|--|------|---------------------------|
| 309                       | Property, plant and equipment                | 11   | 303                       |
| <b>309</b>                | <b>Long term assets</b>                      |      | <b>303</b>                |
| 773                       | Short-term debtors                           | 13   | 654                       |
| 0                         | Provision for Bad Debts                      | 14   | 0                         |
| 151                       | Cash and cash equivalents                    | 15   | 320                       |
| <b>924</b>                | <b>Current assets</b>                        |      | <b>974</b>                |
| 0                         | Contributions and Grants Received in Advance |      | (150)                     |
| (745)                     | Short-term creditors                         | 16   | (704)                     |
| <b>(745)</b>              | <b>Current liabilities</b>                   |      | <b>(854)</b>              |
| (661)                     | Other long-term liabilities (Pensions)       | 24   | (990)                     |
| <b>(661)</b>              | <b>Long-term liabilities</b>                 |      | <b>(990)</b>              |
| <b>(173)</b>              | <b>Net assets/ (liabilities)</b>             |      | <b>(567)</b>              |
|                           | <b>Financed by:</b>                          |      |                           |
| 189                       | Usable reserves                              | 17   | 134                       |
| (362)                     | Unusable reserves                            | 18   | (701)                     |
| <b>(173)</b>              | <b>Total reserves</b>                        |      | <b>(567)</b>              |

The unaudited Annual Accounts were issued on the 11th June 2021.

The audited financial statements were authorised for issue on 24th September 2021

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<br>2020<br>£'000 | 31 March<br>2020<br>£'000 |   | 31 March<br>2021<br>£'000 | 31 March<br>2021<br>£'000 |
|---------------------------|---------------------------|---|---------------------------|---------------------------|
|                           |                           | <b>OPERATING ACTIVITIES</b>   |                           |                           |
| (782)                     |                           | Government Grants   | (782)                     |                           |
| (190)                     |                           | Constituent Council Requisitions  | (190)                     |                           |
| (1)                       |                           | Interest paid/ (received)   | (1)                       |                           |
| (842)                     |                           | Other receipts from operating activities                                      | (924)                     |                           |
|                           | <b>(1,815)</b>            | <b>Cash inflows generated from operating activities</b>                       | <b>(1,897)</b>            |                           |
| 488                       |                           | Cash paid to and on behalf of employees                                       | 561                       |                           |
| 1,393                     |                           | Cash paid to suppliers of goods and services                                  | 1,068                     |                           |
|                           | <b>1,881</b>              | <b>Cash outflows generated from operating activities</b>                      | <b>1,629</b>              |                           |
|                           | <b>66</b>                 | <b>Net cash flows from operating activities</b>                               |                           | <b>(268)</b>              |
|                           |                           | <b>INVESTING ACTIVITIES</b>   |                           |                           |
| 62                        |                           | Purchase of property, plant and equipment                                     | 99                        |                           |
|                           | <b>62</b>                 | <b>Net cash flows from investing activities</b>                               |                           | <b>99</b>                 |
|                           |                           | <b>FINANCING ACTIVITIES</b>   |                           |                           |
| 0                         |                           | Other receipts from financing activities                                      | 0                         |                           |
|                           | <b>0</b>                  | <b>Net cash flows from financing activities</b>                               |                           | <b>0</b>                  |
|                           | <b>128</b>                | <b>Net( increase)/ decrease in cash and cash equivalents</b>                  |                           | <b>(169)</b>              |
|                           | <b>279</b>                | <b>Cash and cash equivalents at the beginning of the reporting period</b>     |                           | <b>151</b>                |
|                           | <b>151</b>                | <b>Cash and cash equivalents at the end of the reporting period (Note 15)</b> |                           | <b>320</b>                |



# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 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)

## NOTES TO THE ANNUAL ACCOUNTS

### 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 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)

## NOTES TO THE ANNUAL ACCOUNTS

### 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)

## NOTES TO THE ANNUAL ACCOUNTS

### 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)

## NOTES TO THE ANNUAL ACCOUNTS

### 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 13).

#### Expenditure and Funding Analysis

|  | Net Expenditure<br>Chargeable to the<br>General Fund | Adjustments | Net<br>Expenditure<br>in the CIES |
|--|--|-------------|-----------------------------------|
| 2020/21  | £'000  | £'000       | £'000                             |
| Core   | 563  | 115         | 678                               |
| Projects   | 463  | (113)       | 350                               |
| <b>Net Cost of Services</b>                              | <b>1,026</b>   | <b>2</b>    | <b>1,028</b>                      |
| <b>Other Income and Expenditure</b>                      |  |             |                                   |
| Government grant   | (782)  | 0           | (782)                             |
| Constituent council requisitions                         | (190)  | 0           | (190)                             |
| Interest Received  | 0  | 0           | 0                                 |
| Net pension interest cost                                | 0  | 15          | 15                                |
| <b>(Surplus) or deficit on the provision of services</b> | <b>54</b>  | <b>17</b>   | <b>71</b>                         |
|  | Net Expenditure<br>Chargeable to the<br>General Fund | Adjustments | Net<br>Expenditure<br>in the CIES |
| 2019/20  | £'000  | £'000       | £'000                             |
| Core   | 517  | 157         | 674                               |
| Projects   | 267  | (97)        | 170                               |
| <b>Net Cost of Services</b>                              | <b>784</b>   | <b>60</b>   | <b>844</b>                        |
| <b>Other Income and Expenditure</b>                      |  |             |                                   |
| Government grant   | (782)  | 0           | (782)                             |
| Constituent council requisitions                         | (190)  | 0           | (190)                             |
| Interest Received  | (1)  | 0           | (1)                               |
| Net pension interest cost                                | 0  | 22          | 22                                |
| <b>(Surplus) or deficit on the provision of services</b> | <b>(189)</b>   | <b>82</b>   | <b>(107)</b>                      |

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 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<br>Capital<br>Purposes<br>£'000 | Net Change for<br>Pensions<br>Adjusts.<br>£'000 | Other<br>Differences<br>£'000 | Total Statutory<br>Adjusts.<br>£'000 |
|--|--|---|-------------------------------|--------------------------------------|
| <b>2020/21</b>   |  |   |                               |                                      |
| Core   | 119  | (9)   | 5                             | 115                                  |
| Projects   | (113)  | 0   | 0                             | (113)                                |
| <b>Net Cost of Services</b>                              | <b>6</b>                                     | <b>(9)</b>                                      | <b>5</b>                      | <b>2</b>                             |
| <b>Other Income and Expenditure</b>                      |  |   |                               |                                      |
| Net pension interest cost                                | 0  | 15  | 0                             | 15                                   |
| <b>(Surplus) or deficit on the provision of services</b> | <b>6</b>                                     | <b>6</b>  | <b>5</b>                      | <b>17</b>                            |
|  |  |   |                               |                                      |
|  | Adjusts. For<br>Capital<br>Purposes<br>£'000 | Net Change for<br>Pensions<br>Adjusts.<br>£'000 | Other<br>Differences<br>£'000 | Total Statutory<br>Adjusts.<br>£'000 |
| <b>2019/20</b>   |  |   |                               |                                      |
| Core   | 140  | 13  | 4                             | 157                                  |
| Projects   | (97)   | 0   | 0                             | (97)                                 |
| <b>Net Cost of Services</b>                              | <b>43</b>                                    | <b>13</b>                                       | <b>4</b>                      | <b>60</b>                            |
| <b>Other Income and Expenditure</b>                      |  |   |                               |                                      |
| Net pension interest cost                                | 0  | 22  | 0                             | 22                                   |
| <b>(Surplus) or deficit on the provision of services</b> | <b>43</b>                                    | <b>35</b>                                       | <b>4</b>                      | <b>82</b>                            |

- 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)

## NOTES TO THE ANNUAL ACCOUNTS

### 2. EXPENDITURE AND FUNDING ANALYSIS *(continued)*

#### 2.2 Segmental Analysis of Income included in Expenditure and Funding Analysis

|   | Core<br>£'000 | Projects<br>£'000 | Total<br>£'000 |
|---|---------------|-------------------|----------------|
| <b>2020/21</b>                            |               |                   |                |
| <b>Expenditure</b>                        |               |                   |                |
| Employee expenses                         | 389           | 0                 | 389            |
| Other service expenses                    | 180           | 970               | 1,150          |
| <b>Total Expenditure</b>                  | <b>569</b>    | <b>970</b>        | <b>1,539</b>   |
| <b>Income</b>                             |               |                   |                |
| Government grants and other contributions | (6)           | (507)             | (513)          |
| <b>Total Income</b>                       | <b>(6)</b>    | <b>(507)</b>      | <b>(513)</b>   |
| <b>Net Cost of Services</b>               | <b>563</b>    | <b>463</b>        | <b>1,026</b>   |
|   | <b>Core</b>   | <b>Projects</b>   | <b>Total</b>   |
|   | <b>£'000</b>  | <b>£'000</b>      | <b>£'000</b>   |
| <b>2019/20</b>                            |               |                   |                |
| <b>Expenditure</b>                        |               |                   |                |
| Employee expenses                         | 334           | 0                 | 334            |
| Other service expenses                    | 187           | 1,533             | 1,720          |
| <b>Total Expenditure</b>                  | <b>521</b>    | <b>1,533</b>      | <b>2,054</b>   |
| <b>Income</b>                             |               |                   |                |
| Government grants and other contributions | (4)           | (1,266)           | (1,270)        |
| <b>Total Income</b>                       | <b>(4)</b>    | <b>(1,266)</b>    | <b>(1,270)</b> |
| <b>Net Cost of Services</b>               | <b>517</b>    | <b>267</b>        | <b>784</b>     |

#### 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<br>2021<br>£'000 | 31st March<br>2020<br>£'000 |
|--|-----------------------------|-----------------------------|
| <b>Expenditure</b>                                       |                             |                             |
| Employee expenses  | 384                         | 350                         |
| Other service expenses                                   | 1,037                       | 1,623                       |
| Depreciation, amortisation and impairment                | 119                         | 141                         |
| Interest payments  | 65                          | 75                          |
| <b>Total Expenditure</b>                                 | <b>1,605</b>                | <b>2,189</b>                |
| <b>Income</b>  |                             |                             |
| Fees, charges and other service income                   | (5)                         | (4)                         |
| Interest and investment income                           | (50)                        | (54)                        |
| Income from constituent councils                         | (190)                       | (190)                       |
| Government grants and other contributions                | (1,289)                     | (2,048)                     |
| <b>Total Income</b>                                      | <b>(1,534)</b>              | <b>(2,296)</b>              |
| <b>(Surplus) or Deficit on the Provision of Services</b> | <b>71</b>                   | <b>(107)</b>                |

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### **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 2021/22 Code. For 2021/22 the following accounting policy changes that need to be reported relate to:

- Definition of a Business: Amendments to IFRS 3 Business Combinations,
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 and
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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 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 resulted in a recalculation of pension liabilities for the estimated impact of GMP indexation changes. The Partnership's actuary's understanding is that the further Lloyd's ruling is unlikely to have a significant impact on the pension obligations of a typical employer. As the historic individual member data required to assess an impact is not readily available, the Partnership's actuary has not made any allowance for this within the pension liability calculation.
- Local Government Pension Scheme (LGPS) - McCloud judgement. An allowance for the estimated impact of the McCloud judgement was included within the 31 March 2020 valuation position. The impact was calculated based on the eligibility criteria of being included within the proposed solution for the McCloud judgement (i.e. any active member who was a participant in the Fund as at 1 April 2012 will be given the greater of the final salary pension or CARE pension upon retirement). The McCloud allowance is therefore included in the 31 March 2021 pension liability.
- 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. Whilst there is still uncertainty surrounding the potential remedy to the Goodwin judgement, the Partnership's actuary has undertaken analysis to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits. The approximate impact of this is very small for a typical Fund (c0.1-0.2% of obligations). The Partnership's actuary does not believe there are sufficient grounds to apply an additional adjustment to account for this.

The Walker and O'Brien court cases may impact on future LGPS benefits. The Partnership's actuary understands these are unlikely to be significant judgements in terms of impact on the pension obligations of a typical employer. As a result, and until further guidance is released from the relevant governing bodies in the LGPS, no allowance has been made for the potential remedies for these judgements.



# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 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 2021 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 all LGPS Funds, investment returns have been significantly greater than expected compared to last year's accounting date assumption. However, the discount rate net of inflation has fallen compared to last year's accounting date assumption which has served to significantly increase the value placed on the obligations and worsen the balance sheet position. This is due to the combination of a lower discount rate assumption and a significantly higher CPI assumption. For a typical employer, this could be of the order of 25% of obligations and are shown under 'Changes in financial assumptions'.

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, including approximate percentage changes and monetary values:

|  | Approximate % increase to<br>Defined Benefit Obligation | Approximate monetary<br>amount (£000) |
|--|---|---------------------------------------|
| 0.5% decrease in Real Discount Rate        | 12%   | 400                                   |
| 0.5% increase in the Salary Increase Rate  | 0%  | 12                                    |
| 0.5% increase in the Pension Increase Rate | 11%   | 382                                   |

### 6. EVENTS AFTER THE BALANCE SHEET DATE

---

The Unaudited Annual Accounts were authorised for issue on 11 June 2021. 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 2021, 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 2021 which would materially affect the 2020/21 Annual Accounts. Partnership employees worked remotely throughout 2020/21, in keeping with Government advice during the Covid-19 pandemic. Projects that depend on third party suppliers experienced some delays to the timescale for completion of committed work. It is likely however that the impact on the Partnership's Annual Accounts for 2020/21 will be non-adjusting. Short term impacts of the pandemic in 2020/21 included new, additional areas of work relating to temporary transport measures and planned recovery. Medium and longer-term consequences of Covid-19 may give rise to further changes in service provision which will be considered and reported to the Partnership during 2021/22. Further narrative to the pandemic and impact on the Partnership is referenced within the Management Commentary.

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 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.

| 2020/21   | Usable Reserves      | Unusable Reserves          |                             |                 |                              |
|---|----------------------|----------------------------|-----------------------------|-----------------|------------------------------|
|   | General Fund Balance | Capital Adjustment Account | Accumulated Absence Account | Pension Reserve | Movement in Unusable Reserve |
|   | £'000                | £'000                      | £'000                       | £'000           | £'000                        |
| <b>Adjustments primarily involving the <u>Capital Adjustment Account</u></b>  |                      |                            |                             |                 |                              |
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>   |                      |                            |                             |                 |                              |
| Charges for depreciation and impairment of non-current assets   | 119                  | (119)                      |                             |                 | (119)                        |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>  |                      |                            |                             |                 |                              |
| Contributions credited to the CIES that have been applied to capital financing  | (113)                | 113                        |                             |                 | 113                          |
| <b>Adjustments primarily involving the <u>Pensions Reserve</u></b>  |                      |                            |                             |                 |                              |
| Reversal of items relating to retirement benefits debited or credited to the CIES   | 136                  |                            |                             | (136)           | (136)                        |
| Employer's pension contributions and direct payments to pensioners payable in the year  | (130)                |                            |                             | 130             | 130                          |
| <b>Adjustments primarily involving the <u>Accumulated Absence Account</u></b>   |                      |                            |                             |                 |                              |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 4                    |                            | (4)                         |                 | (4)                          |
| <b>Total Adjustments</b>  | <b>16</b>            | <b>(6)</b>                 | <b>(4)</b>                  | <b>(6)</b>      | <b>(16)</b>                  |

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 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.

| 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                        |
| <b>Adjustments primarily involving the Capital Adjustment Account</b>   |                      |                            |                             |                 |                              |
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>   |                      |                            |                             |                 |                              |
| Charges for depreciation and impairment of non-current assets   | 141                  | (141)                      |                             |                 | (141)                        |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>  |                      |                            |                             |                 |                              |
| Contributions credited to the CIES that have been applied to capital financing  | (98)                 | 98                         |                             |                 | 98                           |
| <b>Adjustments primarily involving the Pensions Reserve</b>   |                      |                            |                             |                 |                              |
| 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                           |
| <b>Adjustments primarily involving the Accumulated Absence Account</b>  |                      |                            |                             |                 |                              |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 4                    |                            | (4)                         |                 | (4)                          |
| <b>Total Adjustments</b>  | <b>82</b>            | <b>(43)</b>                | <b>(4)</b>                  | <b>(35)</b>     | <b>(82)</b>                  |

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 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 £105,000 has been established to meet slippage on project delivery from 2020/21 to 2021/22.

### 9. FINANCING AND INVESTMENT INCOME

---

|                                | 2020/21<br>£'000 | 2019/20<br>£'000 |
|--------------------------------|------------------|------------------|
| Interest income on plan assets | (50)             | (53)             |
| Interest Received              | 0                | (1)              |
| Pensions interest cost         | 65               | 75               |
|                                | <hr/>            | <hr/>            |
|                                | 15               | 21               |
|                                | <hr/>            | <hr/>            |

### 10. TAXATION AND NON SPECIFIC GRANT INCOME

---

|                                  | 2020/21<br>£'000 | 2019/20<br>£'000 |
|----------------------------------|------------------|------------------|
| Government Grant                 | (782)            | (782)            |
| Constituent Council Requisitions | (190)            | (190)            |
|                                  | <hr/>            | <hr/>            |
|                                  | (972)            | (972)            |
|                                  | <hr/>            | <hr/>            |

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 11. PROPERTY, PLANT AND EQUIPMENT

#### 11.1 Movements on balances:

| <b>Movements in 2020/21</b>  | <b>Vehicles<br/>Plant and<br/>Equipment<br/>£'000</b> | <b>Assets Under<br/>Construction<br/>£'000</b> | <b>Total<br/>Property<br/>Plant and<br/>Equipment<br/>£'000</b> |
|--|---|--|---|
| At 1st April 2020  | 791   | 70   | 861   |
| Additions  | 0   | 113  | 113   |
| Revaluation increases/(decreases)<br>recognised in the Surplus/Deficit on<br>the Provision of Services | (4)   | 0  | (4)   |
| At 31st March 2021   | 787   | 183  | 970   |
| <b>Accumulated Depreciation</b>  |   |  |   |
| At 1st April 2020  | (552)   | 0  | (552)   |
| Depreciation charge  | (119)   | 0  | (119)   |
| Depreciation written out to the<br>Surplus/Deficit on the Provision of<br>Services                     | 4   | 0  | 4   |
| At 31st March 2021   | (667)   | 0  | (667)   |
| <b>Net Book Value</b>  |   |  |   |
| At 31st March 2021   | 120   | 183  | 303   |

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

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

#### 11.2 Movements on balances:

##### Comparative Movements in 2019/20

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

#### 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

As at 31st March 2021, the Partnership has committed to purchase 12 laptops at a cost of £11,642.

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 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<br>2021<br>£'000 | 31st March<br>2020<br>£'000 |
| Trade creditors | 633                         | 539                         |

---

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

|                       | Current                     |                             |
|-----------------------|-----------------------------|-----------------------------|
|                       | 31st March<br>2021<br>£'000 | 31st March<br>2020<br>£'000 |
| Loans and receivables | 618                         | 758                         |
| Trade debtors         | 193                         | 9                           |

---

811                      767

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 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 2021   |            | 31 March 2020   |            |
|-----------------------|-----------------|------------|-----------------|------------|
|                       | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
|                       | £'000           | £'000      | £'000           | £'000      |
| Trade creditors       | 633             | 633        | 539             | 539        |

  

| Financial Assets      | 31 March 2021   |            | 31 March 2020   |            |
|-----------------------|-----------------|------------|-----------------|------------|
|                       | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
|                       | £'000           | £'000      | £'000           | £'000      |
| Loans and receivables | 618             | 618        | 758             | 758        |
| Trade debtors         | 193             | 193        | 9               | 9          |
|                       | <u>811</u>      | <u>811</u> | <u>767</u>      | <u>767</u> |

#### 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 2021 | 31st March 2020 |
|--|-----------------|-----------------|
|  | £'000           | £'000           |
| Total expense and income in Surplus or Deficit on the Provision of Services: |                 |                 |
| Interest Income  | 0               | 1               |

### 13. DEBTORS

|                                | 31st March 2021 | 31st March 2020 |
|--------------------------------|-----------------|-----------------|
|                                | £'000           | £'000           |
| Debtors:                       |                 |                 |
| Central government bodies      | 367             | 504             |
| Other local authorities        | 61              | 7               |
| HM Customs and Excise - VAT    | 43              | 29              |
| Other entities and individuals | 183             | 233             |
|                                | <u>654</u>      | <u>773</u>      |



# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 14. PROVISION FOR BAD DEBTS

|   | 31st March<br>2021<br>£'000 | 31st March<br>2020<br>£'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<br>2021<br>£'000 | 31st March<br>2020<br>£'000 |
|--------------|-----------------------------|-----------------------------|
| Bank account | 320                         | 151                         |
|              | 320                         | 151                         |

### 16. CREDITORS

|                                | 31st March<br>2021<br>£'000 | 31st March<br>2020<br>£'000 |
|--------------------------------|-----------------------------|-----------------------------|
| Central government bodies      | 0                           | (25)                        |
| Other local authorities        | (56)                        | (89)                        |
| Other entities and individuals | (634)                       | (608)                       |
| Employee costs                 | (14)                        | (23)                        |
|                                | <b>(704)</b>                | <b>(745)</b>                |

### 17. USABLE RESERVES

|  | 31st March<br>2021<br>£'000 | 31st March<br>2020<br>£'000 |
|--|-----------------------------|-----------------------------|
| 17.1 Unallocated General Fund Reserve            | 29                          | 12                          |
| 17.2 Earmarked Balance - Project Budget slippage | 105                         | 177                         |
|  | 134                         | 189                         |

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 18. UNUSABLE RESERVES

|                                  | 31st March<br>2021<br>£'000 | 31st March<br>2020<br>£'000 |
|----------------------------------|-----------------------------|-----------------------------|
| 18.1 Capital Adjustment Account  | 303                         | 309                         |
| 18.2 Pension Reserve             | (990)                       | (661)                       |
| 18.3 Accumulated Absence Account | (14)                        | (10)                        |
|                                  | <u>(701)</u>                | <u>(362)</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.

|   | 2020/21<br>£'000 | 2019/20<br>£'000 |
|---|------------------|------------------|
| Balance at 1st April  | 309              | 352              |
| 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   | (119)            | (141)            |
| • Charges for revaluation of non-current assets   | 0                | 0                |
| Net written out amount of the cost of non-current assets consumed in year   | <u>190</u>       | <u>211</u>       |
| Capital financing applied in the year:  |                  |                  |
| • Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing  | <u>113</u>       | <u>98</u>        |
| Balance at 31st March   | <u>303</u>       | <u>309</u>       |

#### 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)

## NOTES TO THE ANNUAL ACCOUNTS

### 18. UNUSABLE RESERVES *(continued)*

---

#### 18.2 Pension Reserve *(continued)*

|  | 2020/21<br>£'000 | 2019/20<br>£'000 |
|--|------------------|------------------|
| Balance at 1st April   | (661)            | (867)            |
| Remeasurements of the net defined benefit liability  | (323)            | 241              |
| 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. | (136)            | (116)            |
| Employer's pension contributions and direct payments to pensioners payable in the year.  | 130              | 81               |
| Balance at 31st March  | <u>(990)</u>     | <u>(661)</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.

|   | 2020/21<br>£'000 | 2019/20<br>£'000 |
|---|------------------|------------------|
| Balance at 1st April  | (10)             | (6)              |
| Settlement or cancellation of accrual made at the end of the preceding year | 10               | 6                |
| Amounts accrued at the end of the current year                              | (14)             | (10)             |
| Balance at 31st March   | <u>(14)</u>      | <u>(10)</u>      |

### 19. MEMBERS EXPENSES

---

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

|          | 2020/21<br>£'000 | 2019/20<br>£'000 |
|----------|------------------|------------------|
| Expenses | <u>0</u>         | <u>0</u>         |
|          | <u>0</u>         | <u>0</u>         |

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 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:

|   | 2020/21<br>£'000 | 2019/20<br>£'000 |
|---|------------------|------------------|
| Fees payable in respect of:   |                  |                  |
| <ul style="list-style-type: none"> <li>external audit services carried out by the appointed auditor for the year</li> </ul> | 10               | 11               |
|   | <u>10</u>        | <u>11</u>        |

### 21. GRANT INCOME

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

|   | 2020/21<br>£'000 | 2019/20<br>£'000 |
|---|------------------|------------------|
| <b>Credited to Taxation and Non Specific Grant Income</b> |                  |                  |
| Scottish Government - Revenue Grant                       | (782)            | (782)            |
| Constituent Council Requisitions (Note 22.3)              | (190)            | (190)            |
|   | <u>(972)</u>     | <u>(972)</u>     |
| <b>Credited to Services</b>                               |                  |                  |
| EU Grant - Bling  | (22)             | (16)             |
| EU Grant - Connect  | (10)             | 0                |
| EU Grant - Primaas  | (28)             | (11)             |
| EU Grant - Regio Mob                                      | (6)              | (3)              |
| EU Grant - Sharenorth                                     | (13)             | (12)             |
| EU Grant - Surflogh                                       | (10)             | (30)             |
| Contribution - City of Edinburgh Council                  | (2)              | (2)              |
| Contribution - Clackmannanshire Council                   | (6)              | 0                |
| Contribution - East Lothian Council                       | (2)              | (2)              |
| Contribution - Fife Council                               | (2)              | (2)              |
| Contribution - Inclusion Scotland                         | (5)              | 0                |
| Contribution - Scotrail                                   | (4)              | 0                |
| Contribution - Scottish Borders Council                   | (2)              | (8)              |
| Contribution - Scottish Enterprise                        | 0                | (125)            |
| Contribution - Transport Scotland                         | (317)            | (843)            |
| Contribution - West Lothian Council                       | (40)             | 0                |
| Contribution - HITRANS                                    | (4)              | (4)              |
| Contribution - NESTRANS                                   | (6)              | (3)              |
| Contribution - SPT  | (9)              | 0                |
| Contribution - SUSTRANS                                   | (15)             | (163)            |
| Contribution - SWESTRANS                                  | (3)              | 0                |
| Contribution - TACTRAN                                    | (6)              | (3)              |
| Contribution - ZETRANS                                    | (1)              | 0                |
|   | <u>(513)</u>     | <u>(1,227)</u>   |

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 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 2020-21 is shown in Note 19.

#### 22.3 Other Parties

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

|  | 2020/21<br>£'000 | 2019/20<br>£'000 |
|--|------------------|------------------|
| • Revenue Expenditure - Support Services                 |                  |                  |
| City of Edinburgh Council - Financial Services/ Clerking | 43               | 44               |
| Falkirk Council - HR Services                            | 0                | 0                |
|  | <hr/> 43         | <hr/> 44         |
| • Revenue Expenditure - Other                            |                  |                  |
| City of Edinburgh Council                                | 0                | 1                |
| East Lothian Council                                     | 0                | 108              |
| Edinburgh & Lothians Greenspace Trust                    | 15               | 0                |
| Midlothian Council                                       | 6                | 18               |
| Newcastle City Council                                   | 0                | 14               |
| NHS Lothian  | 0                | 22               |
| Scottish Government                                      | 79               | 21               |
| West Lothian Council                                     | 0                | 0                |
|  | <hr/> 100        | <hr/> 184        |

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 22. RELATED PARTIES *(continued)*

---

#### 22.3 Other Parties *(continued)*

|   | 2020/21<br>£'000 | 2019/20<br>£'000 |
|---|------------------|------------------|
| • Revenue Income - Requisitions                 |                  |                  |
| Clackmannanshire Council                        | (6)              | (6)              |
| East Lothian Council                            | (13)             | (13)             |
| City of Edinburgh Council                       | (61)             | (61)             |
| Falkirk Council                                 | (19)             | (19)             |
| Fife Council                                    | (44)             | (44)             |
| Midlothian Council                              | (11)             | (11)             |
| Scottish Borders Council                        | (14)             | (14)             |
| West Lothian Council                            | (22)             | (22)             |
|   | <hr/>            | <hr/>            |
|   | (190)            | (190)            |
|   | <hr/>            | <hr/>            |
| • Revenue Income - Interest on Revenue Balances |                  |                  |
| City of Edinburgh Council                       | 0                | (1)              |
|   | <hr/>            | <hr/>            |
|   | 0                | (1)              |
|   | <hr/>            | <hr/>            |
| • Revenue Income - Other                        |                  |                  |
| Constituent Councils                            | 0                | (40)             |
| City of Edinburgh Council                       | (2)              | (2)              |
| Clackmannanshire Council                        | (6)              | 0                |
| East Lothian Council                            | (2)              | (2)              |
| Fife Council                                    | (2)              | (2)              |
| Scottish Borders Council                        | (2)              | (8)              |
| Scottish Enterprise                             | 0                | (125)            |
| Transport Scotland                              | (317)            | (843)            |
| West Lothian Council                            | (40)             | 0                |
|   | <hr/>            | <hr/>            |
|   | (371)            | (1,022)          |
|   | <hr/>            | <hr/>            |

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 22. RELATED PARTIES *(continued)*

#### 22.3 Other Parties *(continued)*

The following represents amounts due to/(from) the Partnership at 31 March 2021, with its related parties.

| <b>CREDITORS</b>                                    | <b>2020/21</b> | <b>2019/20</b> |
|---|----------------|----------------|
|   | <b>£'000</b>   | <b>£'000</b>   |
| • Creditors - Related Parties (Revenue Grants)      |                |                |
| Clackmannanshire Council                            | 0              | (80)           |
| Edinburgh & Lothians Greenspace Trust               | 0              | (35)           |
| NHS Lothian   | 0              | (58)           |
| Scottish Enterprise                                 | (150)          | (25)           |
| West Lothian Council                                | (56)           | (8)            |
|   | <u>(206)</u>   | <u>(206)</u>   |
| • Creditors - Related Parties (Other)               |                |                |
| City of Edinburgh Council                           | 0              | (1)            |
| Edinburgh & Lothians Greenspace Trust               | (15)           | 0              |
| Falkirk Council                                     | 0              | 0              |
|   | <u>(15)</u>    | <u>(1)</u>     |
| • Creditors - Other Parties                         | <u>(633)</u>   | <u>(538)</u>   |
| Total Creditors                                     | <u>(854)</u>   | <u>(745)</u>   |
| <b>DEBTORS</b>                                      |                |                |
| • Debtors - Related Parties (Revenue Grants/ Other) |                |                |
| Clackmannanshire Council                            | 6              | 0              |
| East Lothian Council                                | 2              | 0              |
| Fife Council  | 2              | 0              |
| Scottish Borders Council                            | 2              | 7              |
| Scottish Enterprise                                 | 150            | 0              |
| Transport Scotland                                  | 216            | 504            |
| West Lothian Council                                | 50             | 0              |
|   | <u>428</u>     | <u>511</u>     |
| • Debtors - Other Parties                           | <u>226</u>     | <u>262</u>     |
| Total Debtors                                       | <u>654</u>     | <u>773</u>     |

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 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.

The Partnership currently has a contract with Propel Finance 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.

The Partnership currently has 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. This contract expires in August 2022.

The Partnership's expenditure on lease payments during 2020/21 was £19,000 (2019/20 £18,000)

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

|                         | 2020/21<br>£'000 | 2019/20<br>£'000 |
|-------------------------|------------------|------------------|
| • Not later than 1 year | 18               | 18               |
| • Over 1 year           | 0                | 1                |
|                         | <hr/>            | <hr/>            |
|                         | 18               | 19               |
|                         | <hr/>            | <hr/>            |

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)

## NOTES TO THE ANNUAL ACCOUNTS

### 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:

|  | 2020/21<br>£000 | 2020/21<br>£000 | 2019/20<br>£000 | 2019/20<br>£000 |
|--|-----------------|-----------------|-----------------|-----------------|
| <b>Comprehensive Income and Expenditure Statement</b>  |                 |                 |                 |                 |
| <i>Cost of services:</i>   |                 |                 |                 |                 |
| Service cost, comprising:  |                 |                 |                 |                 |
| Current service costs  | 121             |                 | 109             |                 |
| Past service costs   | <u>0</u>        |                 | <u>(15)</u>     |                 |
|  |                 | 121             |                 | 94              |
| <i>Financing and investment income:</i>  |                 |                 |                 |                 |
| Net interest expense   |                 | <u>15</u>       |                 | <u>22</u>       |
| <b>Total post employee benefit charged to the surplus on the provision of services</b>   |                 | 136             |                 | 116             |
| <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   | (308)           |                 | 146             |                 |
| Actuarial gains and (losses) arising on changes in financial assumptions   | 775             |                 | (369)           |                 |
| Actuarial gains and (losses) arising on changes in demographic assumptions   | (99)            |                 | 0               |                 |
| Other experience   | <u>(45)</u>     |                 | <u>(18)</u>     |                 |
|  |                 | <u>323</u>      |                 | <u>(241)</u>    |
| <b>Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement</b>                                  |                 | <u>459</u>      |                 | <u>(125)</u>    |
| <b>Movement in Reserves Statement</b>  |                 |                 |                 |                 |
| Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code. |                 | <u>6</u>        |                 | <u>35</u>       |
| <b>Actual amount charged against the General Fund Balance for pensions in the year:</b>  |                 |                 |                 |                 |
| Employer's contributions payable to the scheme   |                 | 130             |                 | 81              |
|  |                 | <u>130</u>      |                 | <u>81</u>       |

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 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:

|   | 2020/21<br>£'000 | 2019/20<br>£'000 |
|---|------------------|------------------|
| Fair value of employer assets                         | 2,463            | 2,149            |
| Present value of funded liabilities                   | (3,453)          | (2,810)          |
| Present value of unfunded liabilities                 | 0                | 0                |
|   | <hr/>            | <hr/>            |
| Net liability arising from defined benefit obligation | (990)            | (661)            |
|   | <hr/>            | <hr/>            |

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

|  | 2020/21<br>£'000 | 2019/20<br>£'000 |
|--|------------------|------------------|
| Opening fair value of scheme assets  | 2,149            | 2,212            |
| Interest income  | 50               | 53               |
| Remeasurement gain / (loss):   |                  |                  |
| Other Experience   | (129)            | 0                |
| Return on plan assets, excluding the amount included in the net interest expense | 308              | (146)            |
| Contributions from employer  | 130              | 81               |
| Contributions from employees into the scheme                                     | 26               | 18               |
| Benefits paid  | (71)             | (69)             |
| Unfunded benefits paid   | 0                | 0                |
|  | <hr/>            | <hr/>            |
| Closing fair value of scheme assets  | 2,463            | 2,149            |
|  | <hr/>            | <hr/>            |

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

|  | 2020/21<br>£'000 | 2019/20<br>£'000 |
|--|------------------|------------------|
| Present value of funded liabilities          | (2,810)          | (3,079)          |
| Present value of unfunded liabilities        | 0                | 0                |
|  | <hr/>            | <hr/>            |
| Opening balance at 1st April                 | (2,810)          | (3,079)          |
| Current service cost                         | (121)            | (109)            |
| Interest cost                                | (65)             | (75)             |
| Contributions from employees into the scheme | (26)             | (18)             |
| Remeasurement gain / (loss):                 |                  |                  |
| Change in demographic assumptions            | 99               | 0                |
| Change in financial assumptions              | (775)            | 369              |
| Other experience                             | 174              | 18               |
| Past service cost                            | 0                | 15               |
| Benefits paid                                | 71               | 69               |
| Unfunded benefits paid                       | 0                | 0                |
|  | <hr/>            | <hr/>            |
| Closing balance at 31st March                | (3,453)          | (2,810)          |
|  | <hr/>            | <hr/>            |

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 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.

|  | 2020/21 |    | 2019/20 |    |
|--|---------|----|---------|----|
|  | £'000   | %  | £'000   | %  |
| Equity Securities:                         |         |    |         |    |
| Consumer *                                 | 320     | 13 | 205     | 10 |
| Manufacturing *                            | 355     | 14 | 310     | 14 |
| Energy and Utilities *                     | 125     | 5  | 137     | 6  |
| Financial Institutions *                   | 151     | 6  | 140     | 7  |
| Health and Care *                          | 154     | 6  | 149     | 7  |
| Information technology *                   | 117     | 5  | 93      | 4  |
| Other *                                    | 196     | 8  | 157     | 7  |
| Sub-total Equity Securities                | 1,418   |    | 1,190   |    |
| Debt Securities:                           |         |    |         |    |
| Corporate Bonds (investment grade) *       | 0       | 0  | 36      | 2  |
| Corporate Bonds (investment grade)         | 84      | 3  | 79      | 4  |
| UK Government *                            | 198     | 8  | 132     | 6  |
| Sub-total Debt Securities                  | 282     |    | 247     |    |
| Private Equity:                            |         |    |         |    |
| All  | 15      |    | 19      |    |
| Sub-total Private Equity                   | 15      | 1  | 19      | 1  |
| Real Estate:                               |         |    |         |    |
| UK Property *                              | 0       | 0  | 25      | 1  |
| UK Property                                | 128     | 5  | 116     | 5  |
| Overseas Property                          | 0       | 0  | 2       | 0  |
| Sub-total Real Estate                      | 128     |    | 143     |    |
| Investment Funds and Unit Trusts:          |         |    |         |    |
| Equities *                                 | 35      | 1  | 26      | 1  |
| Bonds *                                    | 51      | 2  | 9       | 0  |
| Bonds                                      | 0       | 0  | 0       | 0  |
| Infrastructure                             | 282     | 11 | 302     | 14 |
| Sub-total Investment Funds and Unit Trusts | 368     |    | 338     |    |
| Derivatives:                               |         |    |         |    |
| Foreign Exchange *                         | 0       | 0  | 4       | 0  |
| Sub-total Derivatives                      | 0       |    | 4       |    |
| Cash and Cash Equivalents                  |         |    |         |    |
| All *                                      | 252     | 10 | 208     | 10 |
| Sub-total Cash and Cash Equivalents        | 252     |    | 208     |    |
| Total Fair Value of Employer Assets        | 2,463   |    | 2,149   |    |

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

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 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 2021 were those from the beginning of the year (i.e. 31 March 2020) 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 2020 to 31 March 2021 16.4%

|   | <b>2020/21</b> | <b>2019/20</b> |
|---|----------------|----------------|
| Mortality assumptions - longevity at 65 for current pensioners: |                |                |
| • Males   | 20.5 years     | 21.7 years     |
| • Females   | 23.3 years     | 24.3 years     |
| Mortality assumptions - longevity at 65 for future pensioners:  |                |                |
| • Males   | 21.9 years     | 24.7 years     |
| • Females   | 25.2 years     | 27.5 years     |
| Pension increase rate   | 2.85%          | 1.90%          |
| Salary increase rate (see below)                                | 3.35%          | 3.50%          |
| Discount rate   | 2.00%          | 2.30%          |

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 2021 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)

## NOTES TO THE ANNUAL ACCOUNTS

### 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 2022

|   | Assets<br>£000 | Obligations<br>£000 | Net (liability) / asset<br>£000 | % of pay |
|---|----------------|---------------------|---------------------------------|----------|
| Projected current service cost              | 0              | (189)               | (189)                           | (53.2%)  |
| Past service cost including curtailments    | 0              | 0                   | 0                               | 0.0%     |
| Effect of settlements                       | 0              | 0                   | 0                               | 0.0%     |
| Total Service Cost                          | 0              | (189)               | (189)                           | (53.2%)  |
| Interest income on plan assets              | 50             | 0                   | 50                              | 14.0%    |
| Interest cost on defined benefit obligation | 0              | (70)                | (70)                            | (19.7%)  |
| Total Net Interest Cost                     | 50             | (70)                | (20)                            | (5.6%)   |
| Total included in Profit or Loss            | 50             | (259)               | (209)                           | (58.9%)  |

The Partnership's estimated contribution to Lothian Pension Fund for 2021/22 is £118,000.

### 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.

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 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 2021, the Partnership had financial assets of £81,000 subject to foreign exchange risk.

The foreign exchange loss or gain on these financial assets cannot be determined until 2021/22, 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 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement and 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 2020/21 (the 2020/21 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the body as at 31 March 2021 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 2020/21 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 5 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

##### Risks of material misstatement

We report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our judgements 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.

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

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

### **Reporting on other requirements**

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

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

#### **Statutory other information**

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

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

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



# The South East of Scotland Transport Partnership (SESTRAN)

## INDEPENDENT AUDITOR'S REPORT (Contd.)

---

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

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.

### 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:** \_\_\_\_\_