

**Unaudited Annual Accounts 2023/24 and Treasury Management report 2023/24**

<b>1.</b>	<b>Introduction</b>
<b>1.1</b>	This report presents the unaudited Annual Accounts for the year ended 31st March 2024.
<b>1.2</b>	The report also provides the annual Treasury Management report for 2023/24.
<b>2.</b>	<b>Unaudited Annual Accounts 2023/24</b>
<b>2.1</b>	The unaudited Annual Accounts are submitted to the Partnership in accordance with the Local Authority Accounts (Scotland) Regulations 2014. The accounts are subject to audit and the audited Annual Accounts, incorporating the Auditor's report are anticipated to be presented to the Performance and Audit Committee and Partnership Board in November 2024.
<b>2.2</b>	The unaudited Annual Accounts are appended at Appendix 1.
<b>2.3</b>	The Treasurer's opinion on the effectiveness of the Partnership's system of internal financial control is provided within the Annual Governance Statement on pages 10 to 12. The Treasurer's opinion is informed by the work of Internal Audit and managers in the Partnership.
<b>2.4</b>	The Management Commentary is on pages 2 to 8 of the Annual Accounts. This highlights key aspect of financial performance during the year. The unaudited underspend is £249,000.
<b>2.5</b>	The underspend of £249,000 includes an underspend of £81,000 on the Core revenue budget due to staff vacancies during 2023/24.
<b>2.6</b>	The Projects budget incurred expenditure slippage of £168,000, due to the urgent requirement to re-prioritise resources to develop the Scottish Government funded 'People and Place Plan' from December 2023.
<b>3.</b>	<b>Reserves</b>
<b>3.1</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 £49,000.
<b>3.2</b>	Subject to confirmation of the audited outturn position, the Partnership will be asked to approve carry forward of £81,000 on the Core budget underspend. This will increase the unallocated reserve to £130,000.

<b>3.3</b>	Slippage of £168,000 on project delivery in 2023/24 will be managed by establishment of an earmarked balance in 2024/25, in accordance with the Partnership's Reserves Policy.																												
<b>4.</b>	<b>Treasury Management report 2023/24</b>																												
<b>4.1</b>	The Partnership has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector. Under the code, an annual report on Treasury Management must be submitted to the Partnership at the end of each financial year.																												
<b>4.2</b>	The Partnership maintains its bank account as part of the City of Edinburgh Council's group of bank accounts. Any cash balance is effectively lent to the Council and is offset by expenditure undertaken by the City of Edinburgh Council on behalf of the Partnership. Interest is given on month end net indebtedness between the Council and the Partnership.																												
<b>4.3</b>	For 2023/24, interest was calculated in accordance with the (withdrawn) Local Authority (Scotland) Accounts Advisory Committee's Guidance Note 2 on Interest on Revenue Balances.																												
<b>4.4</b>	Net end of month balances for 2023/24 are shown below.																												
	<table border="1"> <thead> <tr> <th></th> <th>Balance due to SEStran(+ve) /due by SEStran (-ve)</th> </tr> </thead> <tbody> <tr> <td>Opening Balance</td> <td>-298,892</td> </tr> <tr> <td>30 April 2023</td> <td>-403,371</td> </tr> <tr> <td>31 May 2023</td> <td>138,832</td> </tr> <tr> <td>30 June 2023</td> <td>204,080</td> </tr> <tr> <td>31 July 2023</td> <td>220,508</td> </tr> <tr> <td>31 August 2023</td> <td>195,884</td> </tr> <tr> <td>30 September 2023</td> <td>341,472</td> </tr> <tr> <td>31 October 2023</td> <td>329,745</td> </tr> <tr> <td>30 November 2023</td> <td>356,966</td> </tr> <tr> <td>31 December 2023</td> <td>146,080</td> </tr> <tr> <td>31 January 2024</td> <td>87,735</td> </tr> <tr> <td>28 February 2024</td> <td>-50,000</td> </tr> <tr> <td>31 March 2024</td> <td>202,832</td> </tr> </tbody> </table>		Balance due to SEStran(+ve) /due by SEStran (-ve)	Opening Balance	-298,892	30 April 2023	-403,371	31 May 2023	138,832	30 June 2023	204,080	31 July 2023	220,508	31 August 2023	195,884	30 September 2023	341,472	31 October 2023	329,745	30 November 2023	356,966	31 December 2023	146,080	31 January 2024	87,735	28 February 2024	-50,000	31 March 2024	202,832
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<b>4.5</b>	Interest is calculated on the average monthly balance. The interest rate applied was 4.876%, giving an interest payment of £5,157.																												
<b>5</b>	<b>Recommendations</b>																												
	It is recommended that the Partnership notes:																												
<b>5.1</b>	the unaudited Annual Accounts for 2023/24;																												
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**Richard Lloyd-Bithell**

Treasurer

14th June 2024

**Appendix**            Unaudited Annual Accounts 2023/24  
**Contact**             iain.shaw@edinburgh.gov.uk

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

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

**Unaudited  
Annual Accounts**

**2023/2024**

# The South East of Scotland Transport Partnership (SESTRAN)

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# The South East of Scotland Transport Partnership (SESTRAN)

## Management Commentary

### 1. Basis of Accounts

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

### 2. Statutory Background

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

In accordance with Section 122 of the Transport (Scotland) Act 2019, which allows Regional Transport Partnerships to carry forward reserves, the Partnership established a General Fund reserve. This provision in the Transport (Scotland) Act 2019 came into effect on 19 March 2020.

### 3. Corporate Strategy

The following is an extract from the Transport (Scotland) Act 2005, which established the Partnership; one of seven Scottish Regional Transport Partnerships (RTPs). It lays out the statutory remit of RTPs and puts the Corporate Strategy in context.

- (1) It is the duty of each Transport Partnership to draw up a strategy for transport within its region (its “transport strategy” or RTS).
- (2) Its transport strategy shall include provision about each of the following matters—
  - (a) the respects in which transport in the region needs to be provided, developed or improved having regard to, among other things—
    - (i) future needs including those occasioned by demographic and land use changes; and
    - (ii) what can be done, taking account of cost, funding and practicability;
  - (b) meeting the needs of all inhabited places, in particular, those which the Partnership considers different from the remainder of the region by reason of their remoteness or the sparsity of their populations;
  - (c) meeting the need for efficient transport links between heavily populated places;
  - (d) how transport in the region will be provided, developed, improved and operated so as—
    - (i) to enhance social and economic well-being;
    - (ii) to promote public safety, including road safety and the safety of users of public transport;
    - (iii) to be consistent with the principle of sustainable development and to conserve and enhance the environment;
    - (iv) to promote social inclusion;
    - (v) to encourage equal opportunities and, in particular, the observance of the equal opportunities requirements;
    - (vi) to facilitate access to hospitals, clinics, surgeries and other places where a health service is provided;
    - (vii) to integrate with transport elsewhere;
  - (e) the order of priority in which different elements of the provision, development and improvement of transport should be undertaken;
  - (f) how the Transport Partnership's functions will be exercised so as to fulfil its transport strategy and, if the Partnership considers that the conferring of further functions is necessary for that purpose, what those functions are;
  - (g) how the Transport Partnership, so as to enable it to fulfil its transport strategy, will seek to influence its constituent councils or council in the performance of their functions relating to transport;
  - (h) the measuring and monitoring of the achievement of the strategy.

The new RTS - SEStran 2035 - was approved by Ministers in March 2023 and replaces the Regional Transport Strategy 2015 - 2025 Refresh published in July 2015. It addresses the transport problems and issues being experienced in the SEStran region.

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

# The South East of Scotland Transport Partnership (SESTRAN)

## Management Commentary (*continued*)

### 3. Corporate Strategy (*continued*)

Together, these authorities cover 8,400km<sup>2</sup>, which is just over 10% of Scotland's landmass. It is hugely diverse and includes areas which fall into every one of the Scottish Government's six-fold urban-rural classification. The total population of the SEStran area was estimated as 1,609,070 in 2019. The majority of the population is concentrated in the centre of the SEStran area with a large, sparsely populated rural area to the south, particularly the remote rural areas in Scottish Borders and East Lothian. The greatest concentration of population is within the City of Edinburgh which accounts for approximately 33% of the total SEStran region population.

The new RTS sits within a policy hierarchy which spans the national, regional and local levels. In particular, the RTS is has been developed within the policy framework provided by the National Transport Strategy 2 which was published in February 2020. It set out four strategic priorities, as well as defining a Sustainable Travel Hierarchy. These four priorities and hierarchy have been used to guide the development of this RTS.

The Partnership's Vision Statement is as follows:

A South-East of Scotland, fully integrated transport system that will be efficient, connected and safe; create inclusive, prosperous and sustainable places to live, work and visit; be affordable and accessible to all, enabling people to be healthier; and delivering the region's contribution to net zero emissions targets.

The 4 key strategy objectives are:

- Transitioning to a sustainable, post-carbon, transport system
- Facilitating healthier travel options
- Transforming public transport connectivity and access across the region
- Supporting safe, sustainable and efficient movement of people and freight across the region.

Now that the RTS has been approved, the Partnership's focus has moved from developing the RTS to working with partners to implement it.

This work takes various forms including:

- Collaborating with local authority partners to ensure that their Local Transport Strategies, Development Plans and related strategies or policies, all align with the RTS
- Leading on the development of strategies to help partners to tackle transport issues which can be more effectively addressed at a regional level
- Influencing senior stakeholders such as Scottish and UK governments, Transport Scotland, local authority partners, community planning partnerships, other RTPs, NHS, transport operators, and transport users' groups
- Building test cases for, and piloting, innovative solutions to transport problems, particularly where this would not be feasible for individual local authorities
- Seeking innovative funding mechanisms to support the delivery of priority projects
- Supporting on-the-ground delivery of regional projects by working with partners, consultants etc to develop detailed project plans and, where relevant, funding delivery of these plans.

### 4. Risks and Uncertainties

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

#### Income

The Scottish Government block grant has remained at the same level for over a decade, while Council requisitions have reduced over the same period. European Union funding has ceased entirely (primarily due to the exit of the UK from the EU). Combined, these factors result in a significant real-term impact on income levels which, in turn, could impact the ambition of the Partnership to deliver the RTS. In addition, other sources of funding are not guaranteed and many require annual 'bids' to secure funding. The uncertain nature of this funding means that it is difficult to adopt a long-term planning horizon, which could also impact project delivery. The Partnership mitigates this risk by:

- Proactively seeking additional sources of funding - particularly from a number of funds aimed at innovation and digital innovation
- Monitoring income and expenditure on a monthly basis and adjusting expenditure to ensure that there is no overspend.

# The South East of Scotland Transport Partnership (SESTRAN)

## Management Commentary (*continued*)

### 4. Risks and Uncertainties (*continued*)

#### Costs

Costs have been subject to the highest level of inflation for a generation and, although the situation is improving, there is a real risk that staff salaries and pensions could increase beyond budgeted levels. The Partnership mitigates this risk by:

- Monitoring income and expenditure on a monthly basis and adjusting expenditure to ensure that there is no overspend
- Holding an appropriate cash reserve which can be used in the event that the above control is insufficient to prevent an overspend.

#### National approach to transport governance

The 7 RTPs jointly developed a report titled 'Develop to Deliver' which examines the potential for RTPs to contribute more to achieving government transport policy. Feedback from Transport Scotland has been positive, and they are looking to form a working group to examine transport governance - the split between national, regional and local responsibility for different aspects of the transport portfolio. This presents both an opportunity and a threat to the Partnership. The Partnership will look to be actively involved in the working group in order to influence the future direction of transport governance in Scotland.

### 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 16.

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 6.

The net revenue budget of the Partnership in 2023/24 was £0.972m, funded by Government Grant (£0.782m) and Council Contributions (£0.190m). A comparison of the outturn position with the revenue budget and earmarked reserves of £0.159m carried forward from 2022/23 is shown in the table below. In summary:

- The Partnership had an underspend of £81,000 on the core revenue budget and £168,000 on the projects budget.
- The Core budget provides for the day-to-day running costs of the Partnership and includes employee costs, premises costs and supplies and services. The Partnership incurred net core service expenditure of £0.734m which was £81,000 below budget. The favourable variance arose from staff vacancies during the financial year.
- The Partnership incurred expenditure of £1.759m on revenue projects and received external grants and contributions of £1.611m. Net expenditure was £168,000 under budget, after inclusion of the earmarked reserve brought forward. The main favourable variances on the Projects revenue budget arose on the Sustainable Travel budget (£79,000), Active Travel budget (£51,000) and Bus Strategy Development budget (£40,000).

	Revised Budget £'000	Earmarked Reserves from 22/23 £'000	Total Available Funding £'000	Outturn £'000	Variance from Total Funding £'000
Core Service	815	0	815	739	(81)
Core Service - Interest Received	0	0	0	(5)	
Revenue Projects - Expenditure	923	162	1,085	1,759	(168)
Revenue Projects - Income	(766)	(3)	(769)	(1,611)	
<b>Total Expenditure 2023/24</b>	<b>972</b>	<b>159</b>	<b>1,131</b>	<b>882</b>	<b>(249)</b>
Government Grant	(782)	0	(782)	(782)	0
Constituent Council Requisitions	(190)	0	(190)	(190)	0
<b>Total Government Grant and Council Contributions 2023/24</b>	<b>(972)</b>	<b>0</b>	<b>(972)</b>	<b>(972)</b>	<b>0</b>



# The South East of Scotland Transport Partnership (SESTRAN)

## Management Commentary (*continued*)

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

The Partnership was on track to spend the full Projects budget during 2023/24 until the requirement to deliver a new Scottish Government funded 'People and Place Plan' emerged in December 2023. This necessitated the short-term redeployment of key staff to engage intensively with Transport Scotland and other stakeholders for the remainder of 2023/24. This resulted in the postponement of some project work. Following completion of a recruitment and team restructuring exercise, it is forecast that the slippage on Project expenditure will be spent in 2024/25.

In accordance with the provisions of the Transport Scotland (2019) Act, the Partnership has agreed a Reserves Policy and established an unallocated reserve of £49,000. Slippage on project delivery from 2023/24 to 2024/25 will be managed by establishment of an earmarked balance, in accordance with the Partnership's Reserves Policy.

### Non Financial Results

#### Concordat between SEStran and the Edinburgh and South East Scotland City Region Deal

Perhaps the biggest deliverable in 2023/24 has been the improvement in the relationships between the Partnership and a number of key stakeholders – particularly the Edinburgh and South East Scotland City Region Deal team (ESES CRD).

This work culminated in the joint development and signing of a Concordat that:

- Demonstrates the commitment between the Partnership and ESESCRD to support further integrating economic development, transport and land use planning and delivery in the Edinburgh and South East Scotland city region
- Sets out how both bodies will align their activities to ensure that regional plans can deliver shared outcomes through targeted transport interventions
- Describes how new transport interventions will progress, from strategy to delivery, through the appropriate governance structure(s), depending on the activity.

The Concordat has already paved the way for a number of key, joint pieces of work including the RTS Delivery Plan and the Regional EV Strategy - both of which are described in more detail below.

#### Development of Strategies

Work commenced on the development of a number of key strategies to support partners to deliver regionally significant projects including a Regional Bus strategy, Travel to Healthcare Strategy, and Electric Vehicle Charging Infrastructure Strategy - all of which are detailed in the 'Future Developments' section of this report.

#### Go SEStran pilot

Work on the Mobility as a Service (MaaS) project pilot, GO SEStran, was also completed with the final report informing national work on the potential for MaaS in Scotland.

#### Demand Responsive Transport (DRT)

One objective in the Partnership's bid to the MaaS Investment Fund was to test how DRT and MaaS influence each other. After going out to procurement, the Partnership awarded a contract to The Routing Company to work in partnership with Prentice Coaches to create a new DRT route in East Lothian which went live in March 2023. This new DRT service was also integrated into the GoSEStran MaaS app.

#### Regional Freight Strategy

The regional freight study detailed options work was completed. As well as exploring ways to improve the existing regional freight network this study has developed draft business cases for modal shift from road to heavy and light rail, assessing the potential impact of the three freight-related interventions: freight on trams, converted electric passenger trains and a multi-user freight train operating from Grangemouth. Following the STAG appraisal guidance, the costs, benefits and feasibility of options have been investigated and quantified, where possible. Overall, all three measures justify further investigation and ultimately the development of a Full Business Case to set out revenue and costs in more detail. The Partnership will be exploring this with partners further in 2024.

#### Bike sharing

The supplier of the GO-e-Bike system, Bewegen, went into liquidation in February 2023. As a result, the Partnership revised its approach to bike share, to look for an approach that would be lower cost, less at risk from vandalism and with the capacity to support multi-modal journeys. Brompton Bikes have been identified as offering a service that meets all the outlined requirements within the available budget. A contract was awarded for the work and sites were identified and groundworks started in the first quarter of 2024, the work will be completed by mid-2024 with the bikes available for use by the public.

# The South East of Scotland Transport Partnership (SESTRAN)

## Management Commentary (*continued*)

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

#### Thistle Assistance and VoyagAR

VoyagAR is an end-to-end journey-planning and journey-tracking system to allow disabled people to utilise public transport in a safer, more convenient, and more enjoyable way. The system is designed to make disabled people feel more confident and comfortable when journeying on public transport services.

The traveller accesses the system through a smartphone app. Appropriately authorised carers or family members can assist with journey planning and track the traveller's progress using a companion website. During a journey, the traveller receives wayfinding guidance and support at key points, using a flexible combination of digital mapping, simple directional indicators, and Augmented Reality.

In addition to the work on VoyagAR, the Partnership continued to promote the national Thistle Assistance Programme by coordinating the marketing campaign using the 'A Little Help Goes a Long Way' marketing creative which is placed in specialist audience publications and by engaging with key stakeholders to understand how staff employees are being engaged and made aware of the campaign.

#### Real-time passenger information

RTPI screens provide information about when buses are expected to arrive at a particular bus stop. As well as being a great aid to journey planning, this system actually helps to promote confidence in public transport among people who may otherwise not feel comfortable waiting for a bus.

All 330 RTPI screens within Edinburgh have now been replaced, and 15 different bus operators are now integrated into the system and displaying service information across the SEStran region.

Local Authorities within the SEStran region are continuing to purchase and install screens across their areas, through the Regional Framework contract so that travel information throughout the region is presented in a similar way.

In addition, the Partnership has been working with Local Authorities on designing a new module for bus stop integration using the Novus FX platform which will enhance the system and provide better standardisation of information across the region. When the design is finished this will be rolled out across the region.

#### Additional funding

The Partnership was successful in attracting funding for delivery of region-specific strategies, projects and services, including:

Funding Body	Title	Amount
Transport Scotland	Active Travel Grant	£467,500
Paths for All	Smarter Choices Smarter Places – GOSEStran	£100,000
Paths For All	Active Nation – Do the Ride Thing campaign	£100,300
Paths for All	Smarter Choices Smarter Places – Thistle Assistance marketing support	£20,000
Transport Scotland	Active Travel Transformation Fund - Design Support	£180,000
Transport Scotland	Community Bus Fund	£150,000
Transport Scotland	Local Rail Development Fund – freight study	£41,000
<b>TOTAL</b>		<b>£1,058,800</b>

### 6. Future Developments

2024/25 is shaping up to be a very exciting year for the Partnership.

#### RTS Delivery Plan

In addition to the many and varied projects delivering or supporting delivery of various aspects of the RTS, work is progressing to update the list of all current and planned transport projects in the region and to prioritise the projects based on a number of factors including:

- Scoring in a multi-criteria assessment which includes alignment with the RTS, NTS2 and STPR2 (the most recent Strategic Transport Projects Review)
- Land Use Planning
- Economic Growth.

The Partnership is working very closely with the ESES City Region team and, having aligned the transport strategies of the 2 organisations through the development of the previously mentioned Concordat, the RTS Delivery Plan now incorporates the CRD Transport Masterplan.

# The South East of Scotland Transport Partnership (SESTRAN)

## Management Commentary (*continued*)

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

#### RTS Delivery Plan (*continued*)

It is anticipated that the Delivery Plan will identify a shortlist of priority projects, most of which will be unfunded, and will provide the basis for funding conversations with stakeholders including the Scottish Government and Transport Scotland.

#### People and Place Plan

The RTPs were key stakeholders in a review of active travel funding undertaken by Transport Scotland. Over recent years, expenditure on active travel has increased exponentially while participation rates have remained at roughly the same level. The Active Travel Transformation Programme was designed to transform participation rates by:

- Redesigning the mechanism for allocating funding to, and construction of, active travel infrastructure – tasking local authorities with the concept and designs, and Transport Scotland for procurement of contractors and construction
- Moving the behaviour change element of active travel away from the 6 Active Travel Delivery Partners (ATDPs - Cycling UK, Cycling Scotland, Living Streets, Paths for All, Scottish Cycling and Sustrans) receiving and distributing the funds at a national level, to the devolution of the funds to RTPs, who have been asked to work with their partner Local Authorities to identify priorities and develop a plan for their region.

As a result, and after much hard work by the small active travel team at SEStran, the Partnership has been awarded £5.3m in additional funding (although this will be slightly offset by the loss of c.£0.5m of funding from a different active travel fund) and are working with partner local authorities and ATDPs to target improvements in the following areas:

- Schools and young people
- Workplaces
- Accessibility and inclusion
- Building capacity

The team has developed a 'People and Place Plan', supported by Grant Standing Orders and is working with an AI partner and Transport Scotland to devise a monitoring and evaluation dashboard which will demonstrate measurable improvements in participation rates.

The Partnership will also commission consultants to ensure that internal processes and procedures are strengthened over the coming year in order to drive further improvements in this area and ensure that Transport Scotland continues to support the new ways of working.

This change in approach also provides a very strong indication of the value that Transport Scotland places on RTPs. The Partnership is hopeful that this marks a move towards devolution of other transport priorities from Transport Scotland to RTPs.

#### Regional Bus Strategy

The Partnership has commissioned consultants to develop a regional bus strategy to:

- Explore the current state of the bus network in the SEStran region and develop a problem statement
- Identify gaps caused by the withdrawal of services or by the development of new housing schemes, destinations etc
- Consider the potential of the bus provisions of the Roads (Scotland) Act 2019 to improve the situation. These include bus service improvement partnerships, municipally owned bus services, bus franchising, and data sharing
- Propose a set of recommendations to address the problem statement

Work will continue throughout 2024/25. An Options Appraisal will be presented to the September meeting of the Partnership Board with the draft strategy being presented to the December meeting.

#### Regional Electric Vehicle Charging Infrastructure Procurement

The Partnership is working with local authority partners, SWestrans, Transport Scotland the Scottish Futures Trust to explore a collaborative approach to the procurement of EV Charging Infrastructure.

This is mainly in order to prevent a repeat of the broadband rollout, where operators cherry-picked the most lucrative areas and many rural areas were left without a service.

Approval to commence the work has been gained from all local authorities, governance has been agreed, and a task force including legal, procurement, EV and financial expertise is being assembled to take the work forward.

Work is expected to conclude in September, when each LA will make a decision on whether to procure collaboratively or to take a unilateral approach.

# The South East of Scotland Transport Partnership (SESTRAN)

## Management Commentary (*continued*)

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

#### Travel to Healthcare

Lack of travel options is cited as one of the main reasons for people missing healthcare appointments, and this is likely to be worse in rural areas with higher levels of transport poverty. The Mobility and Access Commission produced a series of recommendations to address this in the Transport to Health and Social Care report in 2019.

Little has changed in the intervening period, although the Scottish Government is in the process of developing a Travel to Healthcare Plan. This work is currently in the early stages, and the requirements of RTPs are not clearly defined. Indeed, the current proposal misses the opportunities that RTPs can present to drive this agenda forward. As a result, the Partnership is forming a stakeholder network comprising the 4 NHS Boards in the SEStran region, NHS Assure, the Scottish Ambulance Service, the Community Transport Association, and a number of other groups.

The network will essentially be a coalition of the willing which will seek to share best practice, identify priorities and undertake tests of change to build evidence of successful initiatives. It is anticipated that both the network and programme portfolio will grow over time, and that the outputs and learnings will dovetail with the Travel To Healthcare Plan when that work is more mature.

#### Thistle Assistance VoyagAR

The VoyagAR app described above will be launched in 2024/25, when transfer of the Intellectual Property and development to date is transferred to a new provider.

#### Funding

The one downside is that, after over a decade of standstill funding from Transport Scotland, the Partnership's core grant has been reduced by 5% for 2024/25. This is in line with reductions across the Scottish Government and is a symptom of the very challenging financial environment.

This reduction, which amounts to c.£39,000, can be accommodated within the budget for 2024/25 due to the carry forward from 2023/24.

The Partnership has met with and written to Transport Scotland, outlining the potential impact on the delivery of the RTS and, in particular, on some of the strategies referred to above. The Partnership has also asked whether this is a one-off reduction, or if reflects a new, lower baseline for future years. Given the current financial uncertainty, Transport Scotland is not yet in a position to respond to this question.

As mentioned earlier in this report, the Partnership will continue to seek additional sources of funding to help offset current pressures.

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

# 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.

### 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 2024.

Treasurer: RICHARD LLOYD-BITHELL, CPFA \_\_\_\_\_ Date signed:

# The South East of Scotland Transport Partnership (SESTRAN)

## ANNUAL GOVERNANCE STATEMENT 2023/24

### 1. Scope of Responsibility

The Partnership's Vision Statement is for a South-East of Scotland, fully integrated transport system that will be efficient, connected and safe; create inclusive, prosperous and sustainable places to live, work and visit; be affordable and accessible to all, enabling people to be healthier; and delivering the region's contribution to net zero emissions targets.

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 Partnership aims for compliance with Public Sector Equality Duties, including Scottish Specific Duties.

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.

# The South East of Scotland Transport Partnership (SESTRAN)

## ANNUAL GOVERNANCE STATEMENT 2023/24 *(continued)*

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

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's Vision Statement is for a South-East of Scotland, fully integrated transport system that will be efficient, connected and safe; create inclusive, prosperous and sustainable places to live, work and visit; be affordable and accessible to all, enabling people to be healthier; and delivering the region's contribution to net zero emissions targets.

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 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 South East of Scotland Transport Partnership (SESTRAN)

## ANNUAL GOVERNANCE STATEMENT 2023/24 *(continued)*

### 4. Review of Effectiveness *(continued)*

- **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.
- **CIPFA Financial Management Code**  
A requirement of the Annual Governance Statement is to disclose compliance with the CIPFA Financial Management (FM) Code and identify any outstanding areas for improvement or change. The Code is designed to support good practice and assist local government organisations in demonstrating their financial sustainability and resilience, by setting out expected standards of financial management.  
The Partnership has undertaken an evaluation of compliance with the Financial Management Code  
The Partnership's financial management arrangements are assessed as being compliant with the FM Code.

### 5. Internal Audit Opinion

During the year, the City of Edinburgh Council Internal Audit Service undertook one review to assess the adequacy of the design and operating effectiveness of the key controls in place to support the ongoing financial sustainability of the Partnership. The Review found the design and effectiveness of the controls in place to ensure the Partnership's continued financial sustainability provide reasonable assurance that financial sustainability objectives will be achieved. Management actions have been identified to address improvement actions identified during the Review. The audit also performed a follow-up review to confirm that management had implemented the actions agreed in the 2022/23 internal audit review of the Thistle Assistance Programme.

### 6. 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 2024. It is the Treasurer's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Partnership's internal control system.

7. 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.
8. The Partnership's governance arrangements and systems are confirmed as being operational and current at the date of signing of this Annual Governance Statement.



# The South East of Scotland Transport Partnership (SESTRAN)

## REMUNERATION REPORT

### 1. Audit of Remuneration Report

The tables at sections 5, 6, 7 and 8 on pages 10 and 11 in the Remuneration Report will be audited by the Partnership's external auditor. The other sections in the Remuneration Report will be reviewed by the external auditor to identify material inconsistencies with the financial statements, or is inconsistent with knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

### 2. 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.

### 3. 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.

### 4. 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.

### 5. Officers Remuneration

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

Remuneration Bands	2023/24	2022/23
£50,000 - £54,999	1	0
£60,000 - £64,999	1	1
£65,000 - £69,999	0	1
£90,000 - £94,999	1	0

### 6. Senior Employees Remuneration

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

Name and Post Title	Salary, Fees and Allowances £	Total Remuneration 2023/24 £	Total Remuneration 2022/23 £
Jim Grieve - Partnership Director (to 31 December 2022)	0	0	68,758
Brian Butler - Partnership Director (from 12 December 2022)	92,787	92,787	26,262
	92,787	92,787	95,020

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.

### 7. 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	
	2023/24 £	2022/23 £		As at 31 March 2024 £'000	Difference from 31 March 2023 £'000
Jim Grieve - Partnership Director (to 31/12/22)	0	15,549	Pension	0	5
			Lump Sum	0	0
Brian Butler - Partnership Director (from 12/12/22)	30,713	5,962	Pension	2	2
			Lump Sum	0	0
	30,713	21,511			

# 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 2023-24 were as follows:

Whole Time Pay	Contribution rate
On earnings up to and including £25,300 (2022/2023 £23,000)	5.50%
On earnings above £25,300 and up to £31,000 (2022/2023 £23,000 to £28,100)	7.25%
On earnings above £31,000 and up to £42,500 (2022/2023 £28,100 to £38,600)	8.50%
On earnings above £42,500 and up to £56,600 (2022/2023 £38,600 to £51,400)	9.50%
On earnings above £56,600 (2022/2023 £51,400)	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		Total Number of		Total Cost of	
	Compulsory Redundancies	Other Agreed Departures	Exit Packages by Cost Band	Exit Packages in Each Band	£'000	£'000
All Cost Bands	0	0	0	0	0	0
	0	0	0	0	0	0

### 9. Trade Union (Facility Time Publication Requirements) Regulations 2017

The Partnership is required to report information on facility time made available to employees who are trade union representatives. For 2023/24, no individual spent time during the year on trade union-related activities.

# 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.

### 2022/23 - Previous 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 2022</b>	<b>162</b>	<b>162</b>	<b>(421)</b>	<b>(259)</b>
<b>Movement in reserves during 2022/23</b>				
Surplus or (Deficit) on Provision of Services	34	34	0	34
Other Comprehensive Expenditure and Income	0	0	653	653
<b>Total Comprehensive Expenditure and Income</b>	<b>34</b>	<b>34</b>	<b>653</b>	<b>687</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations (Note 7)</b>	<b>12</b>	<b>12</b>	<b>(12)</b>	<b>0</b>
<b>Increase/Decrease in 2022/23</b>	<b>46</b>	<b>46</b>	<b>641</b>	<b>687</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>208</b>	<b>208</b>	<b>220</b>	<b>428</b>

### 2023/24 - 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 2023</b>	<b>208</b>	<b>208</b>	<b>220</b>	<b>428</b>
<b>Movement in reserves during 2023/24</b>				
Surplus or (Deficit) on Provision of Services	86	86	0	86
Other Comprehensive Expenditure and Income	0	0	666	666
<b>Total Comprehensive Expenditure and Income</b>	<b>86</b>	<b>86</b>	<b>666</b>	<b>752</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations (Note 7)</b>	<b>4</b>	<b>4</b>	<b>(4)</b>	<b>0</b>
<b>Increase/Decrease in 2023/24</b>	<b>90</b>	<b>90</b>	<b>662</b>	<b>752</b>
<b>Balance at 31 March 2024 carried forward</b>	<b>298</b>	<b>298</b>	<b>882</b>	<b>1,180</b>

# The South East of Scotland Transport Partnership (SESTRAN)

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2023/24

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.

2022/23			2023/24			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Services	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
711	(1)	710	Core	752	0	752
1,356	(1,147)	209	Projects	1,751	(1,611)	140
<b>2,067</b>	<b>(1,148)</b>	<b>919</b>	<b>Cost Of Services</b>	<b>2,503</b>	<b>(1,611)</b>	<b>892</b>
96	(77)	19	Financing & Investment Income (Note 9)	142	(148)	(6)
0	(972)	(972)	Taxation and Non-Specific Grant Income (Note 10)	0	(972)	(972)
<b>2,163</b>	<b>(2,197)</b>	<b>(34)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>2,645</b>	<b>(2,731)</b>	<b>(86)</b>
			<b>Other Comprehensive Income and Expenditure</b>			
0	(23)	(23)	Change in Demographic Assumptions	0	(48)	(48)
0	(1,519)	(1,519)	Change in Financial Assumptions	0	(166)	(166)
0	647	647	Changes in the effect of the asset ceiling	0	(678)	(678)
228	0	228	Other Experience	366	0	366
14	0	14	Return on Assets excluding amounts included in net interest	0	(140)	(140)
<b>242</b>	<b>(895)</b>	<b>(653)</b>	<b>Total Other Comprehensive Income and Expenditure</b>	<b>366</b>	<b>(1,032)</b>	<b>(666)</b>
<b>2,405</b>	<b>(3,092)</b>	<b>(687)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>3,011</b>	<b>(3,763)</b>	<b>(752)</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 2023 £'000		Note	31 March 2024 £'000
231	Property, plant and equipment	11	182
0	Other long-term assets (Pensions)	24	714
<b>231</b>	<b>Long term assets</b>		<b>896</b>
1,145	Short-term debtors	13	624
0	Provision for Bad Debts	14	0
227	Cash and cash equivalents	15	228
<b>1,372</b>	<b>Current assets</b>		<b>852</b>
(15)	Contributions and Grants Received in Advance		0
(1,160)	Short-term creditors	16	(568)
<b>(1,175)</b>	<b>Current liabilities</b>		<b>(568)</b>
<b>0</b>	<b>Long-term liabilities</b>		<b>0</b>
<b>428</b>	<b>Net assets/ (liabilities)</b>		<b>1,180</b>
	<b>Financed by:</b>		
208	Usable reserves	17	298
220	Unusable reserves	18	882
<b>428</b>	<b>Total reserves</b>		<b>1,180</b>

The unaudited Annual Accounts were issued on the 14th June 2024.

Treasurer: RICHARD LLOYD-BITHELL, 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 other receipts and contributions for 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 2023 £'000	31 March 2023 £'000		31 March 2024 £'000	31 March 2024 £'000
		<b>OPERATING ACTIVITIES</b>		
(782)		Government Grants	(782)	
(190)		Constituent Council Requisitions	(190)	
0		Interest paid/ (received)	2	
(971)		Other receipts from operating activities	(1,867)	
	<b>(1,943)</b>	<b>Cash inflows generated from operating activities</b>		<b>(2,837)</b>
494		Cash paid to and on behalf of employees	585	
1,317		Cash paid to suppliers of goods and services	2,126	
	<b>1,811</b>	<b>Cash outflows generated from operating activities</b>		<b>2,711</b>
	<b>(132)</b>	<b>Net cash flows from operating activities</b>		<b>(126)</b>
		<b>INVESTING ACTIVITIES</b>		
0		Purchase of property, plant and equipment	125	
0		Proceeds from the sale of property, plant and equipment	0	
	<b>0</b>	<b>Net cash flows from investing activities</b>		<b>125</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>(132)</b>	<b>Net( increase)/ decrease in cash and cash equivalents</b>		<b>(1)</b>
	<b>95</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>227</b>
	<b>227</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 15)</b>		<b>228</b>

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 1. STATEMENT OF ACCOUNTING POLICIES

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#### 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)*

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#### 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*)

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#### 1.1 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, or is the value of the net pension asset, 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)*

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#### 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. 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 by the Code for the relevant financial year. The standards introduced by the 2024/25 Code where disclosures are required in the 2023/24 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- IFRS 16 Leases issued in January 2016;
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020;
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022;
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022;
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023;
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023.

### **3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

The critical judgements made in the Annual Accounts are:

- There is high degree of uncertainty about future levels of funding for local government. The Partnership has determined that this uncertainty is not yet sufficient to provide an indication that the Partnership's assets might be impaired as a result of a need to reduce service provision;
- Section 37 confirmations (Virgin Media vs NTL Pension Trustees II Limited ruling) - the Partnership's actuary has made no additional allowance for this initial legal judgement from July 2023 due to:
  - > the ruling only applying to the above-named private sector pension scheme;
  - > the legal judgement is currently being appealed;
  - > it is unknown whether there would be any potential remedy required to public service schemes;
  - > it is unknown what the impact of any potential remedy would be;
  - > it is unknown whether Section 37 certificates exist for prior scheme amendments.
- 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 has allowed for the impact of full GMP indexation in the calculation of the funding valuation results. The funding valuation results are used as the starting point for the accounting roll-forward calculation. An allowance for full GMP indexation is included in the accounting disclosure;
- GMP equalisation – historical transfers (Further Lloyd's ruling) - the Partnership's actuary has advised that this further ruling is unlikely to have a significant impact on the pension obligations of a typical employer. No allowance has therefore been made for this within the pension obligation calculation;
- Local Government Pension Scheme (LGPS) - McCloud and Sargeant cases. The Partnership's actuary has allowed for the McCloud judgement in the calculation of the latest funding valuation results. The Employer's funding valuation results are used as the starting point for the accounting roll forward calculations and therefore an allowance is included in the accounting disclosure;
- The Goodwin case judgement in respect of deemed discrimination in spousal transfer on death of a member may also result in the potential increasing of the pension liabilities. The actuary has previously carried out some approximate analysis to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits. The remedy is still uncertain but the potential impact is estimated to be very small for a typical Fund (c0.1% of obligations). The Partnership's actuary does not believe it is necessary or appropriate to make an adjustment 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

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

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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 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are:

#### 4.1 Pension Asset/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 LGPS Funds, asset investment returns have been greater than expected compared to last year's accounting date assumption. The net discount rate assumption has increased by more than the increase in the CPI assumption, which has resulted in a gain on the balance sheet position. Using more up-to-date longevity assumption has also led to a small gain on the obligations.

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 Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	53
1 year increase in member life expectancy	4%	110
0.1% increase in the Salary Increase Rate	0%	2
0.1% increase in the Pension Increase Rate (CPI)	2%	52

### 5. EVENTS AFTER THE BALANCE SHEET DATE

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The Unaudited Annual Accounts were authorised for issue on 14th June 2024. 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 31st March 2024, 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 2024 which would materially affect the 2023/24 Annual Accounts.

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 6. 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 16).

#### Expenditure and Funding Analysis

	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the CIES
	£'000	£'000	£'000
<b>2023/24</b>			
Core	739	12	751
Projects	148	(7)	141
<b>Net Cost of Services</b>	<b>887</b>	<b>5</b>	<b>892</b>
<b>Other Income and Expenditure</b>			
Government grant	(782)	0	(782)
Constituent council requisitions	(190)	0	(190)
Interest paid/ (received)	(5)	0	(5)
Interest on the effect of the asset ceiling	0	31	31
Net pension interest cost/ (income)	0	(32)	(32)
<b>(Surplus) or deficit on the provision of services</b>	<b>(90)</b>	<b>4</b>	<b>(86)</b>
	Net Expenditure Chargeable to the General Fund	Adjustments	Net Expenditure in the CIES
	£'000	£'000	£'000
<b>2022/23</b>			
Core	599	111	710
Projects	325	(116)	209
<b>Net Cost of Services</b>	<b>924</b>	<b>(5)</b>	<b>919</b>
<b>Other Income and Expenditure</b>			
Government grant	(782)	0	(782)
Constituent council requisitions	(190)	0	(190)
Interest Received	2	0	2
Net pension interest cost	0	17	17
<b>(Surplus) or deficit on the provision of services</b>	<b>(46)</b>	<b>12</b>	<b>(34)</b>

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

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

#### Expenditure and Funding Analysis *(continued)*

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

	Adjusts. For Capital Purposes £'000	Net Change for Pensions Adjusts. £'000	Other Differences £'000	Total Statutory Adjusts. £'000
<b>2023/24</b>				
Core	56	(47)	3	12
Projects	(7)	0	0	(7)
<b>Net Cost of Services</b>	<b>49</b>	<b>(47)</b>	<b>3</b>	<b>5</b>
<b>Other Income and Expenditure</b>				
Interest paid/ (received)	0	0	0	0
Interest on the effect of the asset ceiling	0	31	0	31
Net pension interest cost/ (received)	0	(32)	0	(32)
<b>(Surplus) or deficit on the provision of services</b>	<b>49</b>	<b>(48)</b>	<b>3</b>	<b>4</b>
	Adjusts. For Capital Purposes £'000	Net Change for Pensions Adjusts. £'000	Other Differences £'000	Total Statutory Adjusts. £'000
<b>2022/23</b>				
Core	58	56	(3)	111
Projects	(116)	0	0	(116)
<b>Net Cost of Services</b>	<b>(58)</b>	<b>56</b>	<b>(3)</b>	<b>(5)</b>
<b>Other Income and Expenditure</b>				
Net pension interest cost	0	17	0	17
<b>(Surplus) or deficit on the provision of services</b>	<b>(58)</b>	<b>73</b>	<b>(3)</b>	<b>12</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 and interest paid on revenue balances.

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

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

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

	Core	Projects	Total
2023/24	£'000	£'000	£'000
<b>Expenditure</b>			
Employee expenses	494	0	494
Other service expenses	245	1,759	2,004
<b>Total Expenditure</b>	<b>739</b>	<b>1,759</b>	<b>2,498</b>
<b>Income</b>			
Government grants and other contributions	0	(1,611)	(1,611)
<b>Total Income</b>	<b>0</b>	<b>(1,611)</b>	<b>(1,611)</b>
<b>Net Cost of Services</b>	<b>739</b>	<b>148</b>	<b>887</b>
2022/23	Core	Projects	Total
	£'000	£'000	£'000
<b>Expenditure</b>			
Employee expenses	389	0	389
Other service expenses	211	1,472	1,683
<b>Total Expenditure</b>	<b>600</b>	<b>1,472</b>	<b>2,072</b>
<b>Income</b>			
Government grants and other contributions	(1)	(1,147)	(1,148)
<b>Total Income</b>	<b>(1)</b>	<b>(1,147)</b>	<b>(1,148)</b>
<b>Net Cost of Services</b>	<b>599</b>	<b>325</b>	<b>924</b>

#### 6.3 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	31st March
	2024	2023
	£'000	£'000
<b>Expenditure</b>		
Employee expenses	450	442
Other service expenses	1,994	1,567
Depreciation, amortisation and impairment	59	58
Interest payments	142	96
<b>Total Expenditure</b>	<b>2,645</b>	<b>2,163</b>
<b>Income</b>		
Fees, charges and other service income	0	0
Interest and investment income	(148)	(77)
Income from constituent councils	(190)	(190)
Government grants and other contributions	(2,393)	(1,930)
<b>Total Income</b>	<b>(2,731)</b>	<b>(2,197)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(86)</b>	<b>(34)</b>

# 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.

2023/24	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	59	(59)			(59)
<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	(10)	10			10
<b>Adjustments primarily involving the <u>Pensions Reserve</u></b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	74			(74)	(74)
Employer's pension contributions and direct payments to pensioners payable in the year	(122)			122	122
<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	3		(3)		(3)
<b>Total Adjustments</b>	<b>4</b>	<b>(49)</b>	<b>(3)</b>	<b>48</b>	<b>(4)</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.

2022/23	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	58	(58)			(58)
<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	(116)	116			116
<b>Adjustments primarily involving the Pensions Reserve</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	208			(208)	(208)
Employer's pension contributions and direct payments to pensioners payable in the year	(135)			135	135
<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	(3)		3		3
<b>Total Adjustments</b>	<b>12</b>	<b>58</b>	<b>3</b>	<b>(73)</b>	<b>(12)</b>

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 8. TRANSFERS TO/FROM EARMARKED RESERVES

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In accordance with the provisions of the Transport Scotland (2019) Act, the Partnership has agreed a Reserves Policy. An earmarked balance will be established to meet slippage on project delivery from 2023/24 to 2024/25.

### 9. FINANCING AND INVESTMENT INCOME

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	2023/24 £'000	2022/23 £'000
Interest income on pension asset/liability	(143)	(77)
Interest Paid/ (Received)	(5)	2
Pensions interest cost	111	94
Interest on the effect of the asset ceiling	31	0
	<hr/>	<hr/>
	(6)	19
	<hr/>	<hr/>

### 10. TAXATION AND NON SPECIFIC GRANT INCOME

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	2023/24 £'000	2022/23 £'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 2023/24</b>	<b>Vehicles Plant and Equipment £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property Plant and Equipment £'000</b>
At 1st April 2023	993	36	1,029
Additions	10	0	10
Transfers	25	(25)	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
At 31st March 2024	1,028	11	1,039
<b>Accumulated Depreciation</b>			
At 1st April 2023	(798)	0	(798)
Depreciation charge	(59)	0	(59)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0
At 31st March 2024	(857)	0	(857)
<b>Net Book Value</b>			
At 31st March 2024	171	11	182

# 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 2022/23

Cost or Valuation	Vehicles Plant and Equipment £'000	Assets Under Construction £'000	Total Property Plant and Equipment £'000
At 1st April 2022	885	28	913
Additions	94	22	116
Transfers	14	(14)	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
At 31st March 2023	993	36	1,029
<b>Accumulated Depreciation</b>			
At 1st April 2022	(740)	0	(740)
Depreciation charge	(58)	0	(58)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0
At 31st March 2023	(798)	0	(798)
<b>Net Book Value</b>			
At 31st March 2023	195	36	231

#### 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 2024, the Partnership had no capital commitments.

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 12. FINANCIAL INSTRUMENTS

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#### 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 2024 £'000	31st March 2023 £'000
Trade creditors	567	1,167

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

	Current	
	31st March 2024 £'000	31st March 2023 £'000
Loans and receivables	562	1,041
Trade debtors	121	107

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683 1,148

# 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 2024		31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Trade creditors	567	567	1,167	1,167

  

Financial Assets	31 March 2024		31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and receivables	562	562	1,041	1,041
Trade debtors	121	121	107	107
	<u>683</u>	<u>683</u>	<u>1,148</u>	<u>1,148</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 2024	31st March 2023
	£'000	£'000
Total expense and income in Surplus or Deficit on the Provision of Services:		
Interest Expense/ (Income)	(5)	2

### 13. DEBTORS

	31st March 2024	31st March 2023
	£'000	£'000
Debtors:		
Central government bodies	334	603
Other local authorities	201	120
HM Customs and Excise - VAT	62	59
Other entities and individuals	27	363
	<u>624</u>	<u>1,145</u>

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 14. PROVISION FOR BAD DEBTS

	31st March 2024 £'000	31st March 2023 £'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 2024 £'000	31st March 2023 £'000
Bank account	228	227
	228	227

### 16. CREDITORS

	31st March 2024 £'000	31st March 2023 £'000
Central government bodies	(4)	(2)
Other local authorities	(25)	(531)
Other entities and individuals	(524)	(586)
Employee costs	(15)	(41)
	<b>(568)</b>	<b>(1,160)</b>

### 17. USABLE RESERVES

	31st March 2024 £'000	31st March 2023 £'000
17.1 Unallocated General Fund Reserve	130	49
17.2 Earmarked Balance - Project Budget slippage	168	159
	298	207

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 18. UNUSABLE RESERVES

	31st March 2024 £'000	31st March 2023 £'000
18.1 Capital Adjustment Account	182	231
18.2 Pension Reserve	714	0
18.3 Accumulated Absence Account	(14)	(11)
	882	220

#### 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.

	2023/24 £'000	2022/23 £'000
Balance at 1st April	231	173
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	(59)	(58)
• Charges for revaluation of non-current assets	0	0
	172	115
Net written out amount of the cost of non-current assets consumed in year		
Capital financing applied in the year:		
• Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	10	116
	182	231
Balance at 31st March		

#### 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)*

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

	2023/24 £'000	2022/23 £'000
Balance at 1st April	0	(580)
Remeasurements of the net defined benefit liability	666	653
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.	(74)	(208)
Employer's pension contributions and direct payments to pensioners payable in the year.	122	135
Balance at 31st March	<u>714</u>	<u>0</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.

	2023/24 £'000	2022/23 £'000
Balance at 1st April	(11)	(14)
Settlement or cancellation of accrual made at the end of the preceding year	11	14
Amounts accrued at the end of the current year	(14)	(11)
Balance at 31st March	<u>(14)</u>	<u>(11)</u>

### 19. MEMBERS EXPENSES

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

	2023/24 £'000	2022/23 £'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 by the Partnership's external auditors:

	2023/24	2022/23
	£'000	£'000
Fees payable in respect of:		
• external audit services carried out by the appointed auditor for the year	13	12
	13	12

### 21. GRANT INCOME

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

	2023/24	2022/23
	£'000	£'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)
	(972)	(972)
<b>Credited to Services</b>		
EU Grant - Bling	(11)	(43)
EU Grant - Connect	(13)	(18)
EU Grant - Primaas	1	(29)
EU Grant - Regio Mob	2	(29)
EU Grant - Sharenorth	0	(5)
EU Grant - Surflogh	(8)	(53)
Contribution - City of Edinburgh Council	(2)	(2)
Contribution - East Lothian Council	(2)	(2)
Contribution - Falkirk Council	(7)	(12)
Contribution - Fife Council	(183)	(91)
Contribution - Midlothian Council	(280)	(7)
Contribution - Scotrail	(5)	(11)
Contribution - Scottish Borders Council	(61)	(8)
Contribution - Scottish Enterprise	0	(40)
Contribution - St. Andrews University	(66)	0
Contribution - Stirling Communication Centre	(4)	(4)
Contribution - Scottish Government/ Transport Scotland	(867)	(729)
Contribution - The Media Shop	(1)	0
Contribution - West Lothian Council	(47)	(1)
Contribution - HITRANS	(10)	(4)
Contribution - NESTRANS	(6)	(6)
Contribution - SPT	(11)	(5)
Contribution - SUSTRANS	0	(45)
Contribution - SWESTRANS	(2)	(2)
Contribution - TACTRAN	(31)	(6)
Contribution - ZETRANS	(1)	(1)
	(1,615)	(1,153)

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 22. RELATED PARTIES

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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 2023-24 is shown in Note 19.

#### 22.3 Other Parties

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

	2023/24 £'000	2022/23 £'000
• Revenue Expenditure - Support Services		
City of Edinburgh Council - Financial and Clerking Services	42	44
Falkirk Council - HR Services	0	0
	<hr/> 42	<hr/> 44
• Revenue Expenditure - Interest on Revenue Balances		
City of Edinburgh Council	0	2
	<hr/> 0	<hr/> 2
• Revenue Expenditure - Other		
City of Edinburgh Council	2	1
East Lothian Council	0	1
Scottish Government	17	18
West Lothian Council	0	2
	<hr/> 19	<hr/> 22

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

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

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

	2023/24 £'000	2022/23 £'000
• Revenue Income - Requisitions		
Clackmannanshire Council	(6)	(6)
East Lothian Council	(13)	(13)
City of Edinburgh Council	(62)	(62)
Falkirk Council	(19)	(19)
Fife Council	(44)	(44)
Midlothian Council	(11)	(11)
Scottish Borders Council	(13)	(13)
West Lothian Council	(22)	(22)
	<u>(190)</u>	<u>(190)</u>
• Revenue Income - Interest on Revenue Balances		
City of Edinburgh Council	(5)	0
	<u>(5)</u>	<u>0</u>
• Revenue Income - Other		
City of Edinburgh Council	(2)	(2)
East Lothian Council	(2)	(2)
Falkirk Council	(7)	(12)
Fife Council	(3)	(3)
Midlothian Council	(5)	(7)
Scottish Borders Council	(2)	(2)
Scottish Enterprise	0	(40)
Scottish Government/ Transport Scotland	(867)	(729)
West Lothian Council	(1)	(1)
	<u>(889)</u>	<u>(798)</u>
• Revenue Income - Agency Income		
Fife Council	(180)	(88)
Midlothian Council	(275)	0
Scottish Borders Council	(59)	(6)
West Lothian Council	(46)	0
	<u>(560)</u>	<u>(94)</u>

# 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 2024, with its related parties.

<b>CREDITORS</b>	<b>2023/24</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
• Creditors - Related Parties (Revenue Grants)	<u>0</u>	<u>0</u>
• Creditors - Related Parties (Other)		
City of Edinburgh Council	(1)	(1)
Falkirk Council	0	0
Fife Council	0	(5)
Scottish Government	(4)	(2)
	<u>(5)</u>	<u>(8)</u>
• Creditors - Other Parties	<u>(563)</u>	<u>(1,167)</u>
Total Creditors	<u>(568)</u>	<u>(1,175)</u>
<b>DEBTORS</b>		
• Debtors - Related Parties (Revenue Grants/ Other)		
East Lothian Council	2	0
Falkirk Council	4	7
Fife Council	137	100
Midlothian Council	0	4
Scottish Borders Council	2	9
Scottish Government/ Transport Scotland	335	603
West Lothian Council	56	0
	<u>536</u>	<u>723</u>
• Debtors - Other Parties	<u>88</u>	<u>422</u>
Total Debtors	<u>624</u>	<u>1,145</u>

# The South East of Scotland Transport Partnership (SESTRAN)

## NOTES TO THE ANNUAL ACCOUNTS

### 23. LEASES

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#### 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's contract with O2 to lease ten Apple iPhones for staff use expired in February 2024 under no penalty.

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 September 2025.

The Partnership's expenditure on lease payments during 2023/24 was £23,000 (2022/23 £23,000)

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

	2023/24 £'000	2022/23 £'000
• Not later than 1 year	18	23
• Over 1 year	0	1
	<hr/> 18	<hr/> 24

The Partnership has no other material operational leases.

### 24. DEFINED BENEFIT PENSION SCHEMES

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#### 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 require 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:

	2023/24 £000	2023/24 £000	2022/23 £000	2022/23 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	75		191	
Past service costs	<u>0</u>	75	<u>0</u>	191
<i>Financing and investment income:</i>				
Net interest expense/ (income)	(32)		17	
Interest on the effect of the asset ceiling	<u>31</u>	(1)	<u>0</u>	17
<b>Total post employee benefit charged to the surplus on the provision of services</b>		<u>74</u>		<u>208</u>
<i>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</i>				
Remeasurement of the net defined liability, comprising:				
Return on pension assets, excluding the amount included in the net interest expense above	(140)		14	
Actuarial gains and (losses) arising on changes in financial assumptions	(166)		(1,519)	
Actuarial gains and (losses) arising on changes in demographic assumptions	(48)		(23)	
Restriction in Pension Asset	(678)		647	
Other experience	<u>366</u>		<u>228</u>	
		<u>(666)</u>		<u>(653)</u>
<b>Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement</b>		<u>(592)</u>		<u>(445)</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>(48)</u>		<u>73</u>
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employer's contributions payable to the scheme		<u>122</u>		<u>135</u>
		<u>122</u>		<u>135</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:

	2023/24 £'000	2022/23 £'000
Fair value of employer assets	3,465	2,976
* Restriction in Pension Asset	0	(647)
Present value of funded liabilities	(2,751)	(2,329)
Net asset/(liability) arising from defined benefit obligation	714	0
<b>24.4 Reconciliation of the Movements in the Fair Value of Scheme Assets</b>	<b>2023/24 £'000</b>	<b>2022/23 £'000</b>
Opening fair value of scheme assets	2,976	2,821
Interest income	143	77
Remeasurement gain / (loss):		
Other Experience	146	
Return on plan assets, excluding the amount included in the net interest expense	140	(14)
Contributions from employer	122	135
Contributions from employees into the scheme	27	30
Benefits paid	(89)	(73)
Unfunded benefits paid	0	0
Closing fair value of scheme assets	3,465	2,976
<b>Reconciliation of Present Value of the Scheme Liabilities</b>	<b>2023/24 £'000</b>	<b>2022/23 £'000</b>
Present value of funded liabilities	(2,329)	(3,401)
Present value of unfunded liabilities	0	0
Opening balance at 1st April	(2,329)	(3,401)
Current service cost	(75)	(191)
Interest cost	(111)	(94)
Contributions from employees into the scheme	(27)	(30)
Remeasurement gain / (loss):		
Change in demographic assumptions	48	23
Change in financial assumptions	166	1,519
Other experience	(512)	(228)
Past service cost	0	0
Benefits paid	89	73
Unfunded benefits paid	0	0
Closing balance at 31st March	(2,751)	(2,329)

\* International Accounting Standard 19 imposes a limit on the maximum amount of surplus which can be recognised on the balance sheet. This adjustment reduced the value of the Pension Asset to the restricted amount for 2022/23.



# 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.

	2023/24		2022/23	
	£'000	%	£'000	%
Equity Securities:				
Consumer *	409	12	365	12
Manufacturing *	476	14	410	14
Energy and Utilities *	188	5	180	6
Financial Institutions *	204	6	179	6
Health and Care *	224	6	219	7
Information technology *	172	5	124	4
Other *	213	6	203	7
Sub-total Equity Securities	<u>1,886</u>		<u>1,679</u>	
Debt Securities:				
Corporate Bonds (investment grade) *	56	2	46	2
UK Government *	466	13	345	12
Other *	60	2	62	2
Sub-total Debt Securities	<u>582</u>		<u>454</u>	
Private Equity:				
All *	18	1	2	
All	14	0	10	0
Sub-total Private Equity	<u>32</u>		<u>12</u>	
Real Estate:				
UK Property *	0	0	20	1
UK Property	177	5	114	4
Overseas Property *	12	0	4	0
Overseas Property	0	0	1	0
Sub-total Real Estate	<u>189</u>		<u>139</u>	
Investment Funds and Unit Trusts:				
Equities *	0	0	40	1
Equities	0	0	2	0
Bonds	88	3	86	3
Commodities	38	1	0	0
Infrastructure *	8	0	0	0
Infrastructure	515	15	424	14
Sub-total Investment Funds and Unit Trusts	<u>649</u>		<u>552</u>	
Derivatives:				
Foreign Exchange *	(1)	(0)	0	0
Sub-total Derivatives	<u>(1)</u>		<u>0</u>	
Cash and Cash Equivalents				
All *	129	4	141	5
Sub-total Cash and Cash Equivalents	<u>129</u>		<u>141</u>	
Total Fair Value of Employer Assets	<u><u>3,465</u></u>		<u><u>2,976</u></u>	

*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)*

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#### 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 2024 were those from the beginning of the year (i.e. 31 March 2023) 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 2023 to 31 March 2024 9.4%

	<b>2023/24</b>	<b>2022/23</b>
Mortality assumptions - longevity at 65 for current pensioners:		
• Males	22.0 years	19.9 years
• Females	22.9 years	22.9 years
Mortality assumptions - longevity at 65 for future pensioners:		
• Males	22.2 years	21.2 years
• Females	25.7 years	24.7 years
Pension increase rate	2.75%	2.95%
Salary increase rate (see below)	3.25%	3.45%
Discount rate	4.85%	4.75%

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 2024 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 2025

	Assets £000	Obligations £000	Net (liability) / asset £000	% of pay
Projected current service cost	0	(84)	(84)	(21.9%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(84)	(84)	(21.9%)
Interest income on plan assets	169	0	169	44.1%
Interest cost on defined benefit obligation	0	(134)	(134)	(35.0%)
Total Net Interest Cost	169	(134)	35	9.1%
Total included in Profit or Loss	169	(218)	(49)	(12.8%)

The Partnership's estimated contribution to Lothian Pension Fund for 2024/25 is £103,000.

### 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)*

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#### **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 2024, the Partnership had no financial assets subject to foreign exchange risk.

The Partnership has no financial liabilities denominated in foreign currencies.